*Monetary figures in millions of Mexican pesos, unless otherwise specified*

**Note 1 - Incorporation, business purpose and events relevant to the Entity's operations:**

a. Banco Nacional de Comercio Exterior, S.N.C., Development Banking Institution(the "Bank"), is an entity of the Federal Public Administration with independent legal status and own equity, constituted as a National Credit Corporation in the terms of the Credit Institutions Law (LIC for its acronym in Spanish) and its own Organic Law.

   Banco Nacional de Comercio Exterior, S. A. was founded on June 8, 1937. On July 12, 1985, following the Mexican nationalization of banks, the Entity became Banco Nacional de Comercio Exterior, S.N.C., Development Banking Institution. On January 20, 1986 the Honorable Congress of the Union issued the "Organic Law of Banco Nacional de Comercio Exterior. Based on the Provisions published in the June 24, 2002 Official Gazette (OG), the Ministry of Finance and Public Credit (SHCP for its acronym in Spanish) amended, added and repealed various provisions thereof, making emphasis on the targets, operations, administration, surveillance and powers of the Board, and the powers of the Director General. On April 2,1991, the SHCP issued the current Organic Regulations of the Institution in effect to date.

b. In the terms of the Organic Law in effect for the Institution, the nature of the entity as a development bank, is to provide public service banking and credits subject to the objectives and priorities of the National Development Plan, and in particular the National Programs for Development Financing, Industrial Promotion and Foreing Trade, to encourage and finance the activities and sectors that are governed by the Law.

   As a Development Banking Institution, the Institution's purpose is to finance Mexico's foreign trade and to participate in promoting those activities.

c. The Entity's main operations are regulated by the Credit Institutions Law and by the Banco de Mexico (Banxico) Law. Said regulations include different restrictions that specify the maximum level of leveraging allowed and the capitalization requirements that limit the Entity's investments and transactions, and they are supervised by the National Banking and Securities Commission (CNBV for its acronym in Spanish).

d. The accompanying consolidated financial statements at December 31, 2014 and 2013 and for the years then ended include those of the Entity and of the following subsidiaries:

| | % of ownership | | |
|---|---|---|---|
| Company | Series A | Series B | Activity |
| Desarrollo Inmobiliario Especializado, S. A. de C. V. (DIESA) | 99.20 | 100 | Real Estate |
| Coordinadora de Asistencia Administrativa,<br>S. A. de C. V., (CAASA) into liquidation (2013) | 99.60 | 100 | Services |

The principal activities of the Entity's subsidiaries are as follows:

DIESA: The Company's business purpose is to acquire, lease, manage, develop, exploit, sell and use properties, and to carry out adjustment, conservation, construction, demolition, maintenance and modification work at said properties, provided that the properties currently or subsequently will house the Entity's offices. The Company's total assets comprise 0.14 and 0.17% of the Entity's total assets at December 31, 2014 and 2013, respectively.

CAASA, liquidated in 2014.

At the January 30, 2008 meeting, the Entity's Board of Directors acknowledged and authorized all operating, administrative and legal management work required to liquidate CAASA, which was previously a subsidiary of the Entity. At October 22, 2008 CAASA extraordinary stockholders' meeting it was agreed to dissolve the entity and start the liquidation process. During the July 3, 2014 Extraordinary General Stockholders' Meeting, the Liquidator submitted a report on the conclusion of CAASA operations, as a result of which on August 12, 2014 the Liquidation Ending Balance was published in the Mexico City Official Gazette with figures at June 30, 2014.

Relevant events

a. As mentioned in Note 3h, on June 24, 2013, the CNBV published a Resolution in the Official Gazette whereby the general provisions applicable to Credit Institutions are modified with respect to the methodology for rating a commercial loan portfolio, with the resulting amendments to losses incurred to establish an expected loss methodology that takes into consideration the probability of default, the severity of the loss and exposure to default. The initial effect of applying the aforementioned methodology in order to rate financial intermediaries was the cancellation of reserves in the amount of $45 in 2014 recorded in income for the period, and of rating commercial portfolio was the release of $891 of the allowance for loan losses in 2013 recorded in income for the period (cancellation of credit allowances of $634 and $257 recorded under Other operating income (expenses)).

b. As mentioned in Note 9, on December 31, 2013, a Debt Recognition, Interest Capitalization and Restructuring Agreement was formalized with a Foreign Financial Entity, whereby it was agreed to recover a total of 146.3 million dollars, which amount is recognized in memorandum accounts. Under said agreement, the amount in question will be recovered in a term of 15 years through quarterly payments. At December 31, 2014, the equity balance is USD130 million.

c. As mentioned in Note 20, at October 30, 2014, the Board of Directors authorized the Entity's management to request a capital contribution of up to $2,000 from the Federal Executive through the SHCP. A $1,800 contribution was received on December 1, 2014. In 2013, the Entity requested the SHCP resources of up to $1,300, as a result of which it received a $1,150 contribution on December 26, 2013.

## Note 2 - Basis for preparation of the financial statements:

The accompanying consolidated financial statements at December 31, 2014 and 2013 have been prepared in accordance with the "Accounting Criteria" established by the CNBV, which follow the accounting criteria of the Financial Reporting Standards (NIF for its acronym Spanish) issued by the Mexican Financial Reporting Standards Board (CINIF for its acronym in Spanish), except when the CNBV considers it necessary to apply a specific accounting standard or criterion. The aforementioned

Accounting Criteria are included in the Title Three "Financial Information and Disclosure" and in Exhibit 33 of the "General rules applicable to Credit Institutions" (Accounting Criteria), issued by the CNBV and published on December 2, 2005, and the amendments thereto. For that purpose, The Entity has prepared its statement of income as per the presentation required by the CNBV, which is intended to show information on operations conducted by the entity as well as other economic events affecting it which do not necessarily arise from decisions or transactions made by the stockholders in any particular period.

The Sole Circular, in force as of December 31, 2005, is a legal instrument that compiles the provisions applicable to credit institutions issued by the CNBV, systematizing their integration and standardizing the terminology used, in order to provide legal certainty as to the regulatory framework to which financial entities must adhere in carrying out their business purposes.

In accordance with the Accounting Criteria, in the absence of a specific accounting criterion issued by the CNBV, supplementary provisions must be applied as established in NIF A-8, "Supplementation", in the following order: the NIF, International Accounting Standards issued and approved by the International Accounting Standards Board (IASB), and Accounting Principles Generally Accepted in the United States, from both official and unofficial sources, as established in Topic 105 of the Financial Accounting Standards Board Coding issued by the Financial Accounting Standards Board (FASB) or any accounting standards forming part of a formal and recognized group of standards.

Additionally, in accordance with the current Law, the CNBV may order that the financial statements of institutions be disseminated with the amendments deemed necessary in the term allotted for that purpose.

Recording, functional and reporting currency

Given that the recording, functional and reporting currency of the Entity and its subsidiaries is the Mexican peso it was not necessary to convert any of the figures.

According to the provisions of NIF B-15, the Entity and its subsidiaries have identified the Mexican pesos as their Recording, Functional and Reporting currency.

There were no changes resulting from identifying these currencies with respect to the prior year.

Inflation effects in the financial information

According to the guidelines of NIF B-10, "Inflation effects", the Mexican economy is not in an inflationary environment, since accrued inflation for the last three years is below 26% (maximum limit for an economy to be considered non-inflationary); therefore, as of January 1, 2008, recognition of the effects of inflation on the financial information is no longer required (disconnection from inflationary accounting). Consequently, the figures at December 31, 2014 and 2013 shown in the enclosed financial statements are expressed in historical Mexican pesos, modified by the effects of inflation on the financial information recognized until December 31, 2007.

Following are the percentages (%) of inflation:

| | 2014 | 2013 |
|---|---|---|
| For the year | 4.08% | 3.97% |
| Accrued over the past three years | 11.62% | 11.36% |

Accounting criteria in effect in 2014 and 2013

The following changes in accounting criteria, issued by the CNBV for prospective application, came into effect in 2014. In 2013 there were no changes in the accounting criteria applicable to the Entity.

B-6 "Loan portfolio": It establishes the cases in which borrowers declared bankrupt can be considered to qualify as current loans provided that the necessary payments continue to be made on said loans for the regular operations of the borrower to continue and to keep the necessary liquidity during the bankruptcy process, or if payments are made on loans granted for this purpose, in the terms stipulated in the Bankruptcy Law (BL). Said criterion was not considered to have affected the financial information presented by the Entity.

The CNBV issued temporary Accounting Criteria applicable to Credit Institutions with regard to consumer, housing and commercial loans made to clients whose tax address or source of payment is located in the affected areas of Baja California Sur that qualify as disaster areas after Hurricane Odile struck that State. The temporary Accounting Criteria consisted of partial or total deferral of capital and interest payments on the total amount of the loan of up to three months. Those balances did not bear interest or instead may be capitalized. The foregoing is applicable to loans classified as current loans at the date of loss.

NIF, NIF Improvements and Interpretations of FRS (INIF for its acronym in Spanish)

The following NIF, NIF improvements and INIF came into force in 2014 and 2013 with no significant effects on the financial information:

2014

NIF C-11 "Stockholders' equity". Establishes the standards for valuation, presentation and disclosure of the components of stockholders' equity in the statement of financial position of for-profit entities. The main changes, with respect to the former standard are: it requires setting a price per share to be issued related to advances for future capital stock increases and that it be established that they cannot be reimbursed prior to being capitalized, in order for them to qualify as stockholders' equity, and includes the regulation for financial instruments to be identified as capital in their initial recognition. Additionally, it establishes the disclosures required for entities operating in the financial sector.

NIF C-12 "Financial instruments qualifying as debt and capital". Establishes the standards for initial recognition of financial instruments qualifying as debt and capital in the financial statements of for-profit entities. The concept of subordination is incorporated.

NIF Improvements

NIF C-5 "Prepayments". Establishes the accounting treatment of prepayments for the purchase of items denominated in foreign currency. It also specifies that impairment losses in the value of prepayments (and reversal thereof) must be presented as part of the net profit or loss for the period, in the line item deemed appropriate by the Entity based on its professional judgment, rather than in the statement of income for the period in the "Other income and expenses" caption.

Statement C-15 "Impairment in the use value of long-lived assets and their disposal". Establishes that an impairment loss and reversal thereof in the value of intangible assets with indefinite lives (including goodwill) should be presented in the statement of income for the period in item showing the depreciation and amortization of assets of the cash-generating unit to which such intangible assets are associated. Impairment losses cannot be shown as part of expenses that have been capitalized in the value of an asset.

The requirement to show certain operations under other income and expenses has been eliminated from NIF C-6 Property, plant and equipment, NIF C-8 Intangible assets, Statement C-9, Liabilities, provisions, contingent assets and liabilities and commitments, and NIF D-3, Employee benefits, and the use of that caption is left to the judgment of the Entity.

Interpretations of NIF

INIF-20 "Accounting effects of the 2014 Tax Reform". INIF 20 was issued to address the manner for recognizing the accounting effects of the 2014 Tax Reform in the financial statements.

2013

NIF B-8 "Consolidated or combined financial statements". It modifies the definition of control to establish that "an entity controls another in which it has an interest when it has power over the latter to direct its most relevant activities; is exposed or is entitled to variable returns provided by said interest; and can affect those returns through its power over the investee.

The concepts "protective rights", "principle", "agent" and "structured entity" are introduced, and the concept "special purpose entity" (SPE) is eliminated, in the assessment of significant influence and control.

NIF C-7 "Investments in associated companies, joint businesses and other permanent investments". The name of the NIF is modified for consistency with its new goals and scope, which now also include joint businesses. This standard requires that investments in joint businesses be recognized by the equity method. The concept "SPE" was eliminated to introduce the term "structured entity" to identify the existence of control, joint control or significant influence. This new NIF requires further disclosures than the previously standards.

NIF C-21 "Joint control arrangements". It establishes the definition of a joint control arrangement and specifies two types of arrangements: joint operations and joint businesses. It establishes that joint operations may or may not be structured through a given vehicle, while joint businesses always have a vehicle. It establishes that a party in a joint business must recognize its interest therein as a permanent investment and must value it based on the equity method. This NIF converges with IFRS 11.

NIF Improvements

NIF C-5 "Prepayments", Statement C-9 "Liabilities, provisions, contingent assets and liabilities and commitments" and Statement C-12 "Financial instruments with features of liabilities, capital or both". Debenture issue expenses must be shown as a reduction in the respective liability and charged to income based on the effective interest method. Formerly, said expenses were required to be recognized as deferred charges, and therefore an asset for issue expenses was recorded in different line items of the statement of financial position.

NIF D-4 "Income taxes". It specifies the method for recognizing taxes payable and deferred pertaining to transactions or events not recognized under income for the period. It now specifies that there are transactions or events that are recognized directly under stockholders 'equity, in which case the related taxes are also recognized directly in stockholders' equity, since previously reference was only made to those related to other comprehensive income .

Statement D-5 "Leases". It eliminates the diversity in the treatment of initial direct costs (costs incurred directly attributable to the negotiation and consummation of a lease) and it establishes that said costs must be recognized as incurred, since a benefit is considered to arise from those costs over time.

NIF A-1 "Structure of financial reporting standards" and Statement C-9 "Liabilities, provisions, contingent assets and liabilities and commitments". This standard specifies the meaning of probable, which is the existence of certainty that the future event will occur based on available information, proof, evidence or data.

NIF B-7 "Business acquisitions". It eliminates the concept of special items in the statement of comprehensive income.

Statement B-14, "Profit per share ". It establishes the determination of potentially dilutive common stock at interim periods.

NIF B-15 "Foreign currency conversion". It requires entities to show the accrued effect of conversion associated to the non-controlling interest.

Statement C-15 "Impairment in the use value of long-lived assets and their disposal". Statement C-15 is modified in order for indications of impairment to include the potential effect of a significant increase in market interest rates.

Financial statement authorization:

The accompanying consolidated financial statements and the notes thereto at December 31, 2014 and 2012 were authorized by the Board of Directors at the January 29, 2015 and January 30, 2014 meetings, respectively.

## Note 3 - Summary of significant accounting policies:

Following is a summary of significant accounting policies, which have been consistently applied in the years under review, unless otherwise specified.

NIF require the use of certain accounting estimations in preparing a set of financial statements. They also require that management exercise its judgment to define the accounting policies to be applied by the Entity. The captions involving a greater degree of judgment and assumptions and estimates that are significant for the [consolidated] financial statements are the allowance for loan losses and the income taxes.

a. Consolidation

Subsidiaries

Subsidiaries are all entities over which the Entity has control to steer their relevant activities, has rights (and is exposed) to variable returns from its investment therein and has the ability to affect those returns through its control. When determining whether the Entity controls an entity, the existence and effects of potential voting rights currently exercisable or convertible were considered. The existence of control is also evaluated in cases where less than 50% of the voting shares are held, but where the Entity can steer a company's relevant operations.

The subsidiaries consolidate as from the date on which the Entity acquires control, and consolidation ceases when that control is lost.

Transactions, balances and unrealized profits or losses arising from operations among consolidating companies have been eliminated. The accounting policies applied by the subsidiaries are consistent with the accounting policies applied by the Entity.

Consolidation includes the financial statements of subsidiary DIESA. Following is the condensed financial position of DIESA at December 31, 2014 and 2013 and the condensed results of its operations for the period ended on that date.

| | 2014 | 2013 | | |
|---|---|---|---|---|
| Statement of financial position | DIESA | DIESA | CAASA | TOTAL |
| Assets: | | | | |
| Cash and cash equivalents | $ 61 | $ 56 | $ 1 | $ 57 |
| Properties and other assets | 320 | 320 | | 320 |
| | $381 | $ 376 | $ 1 | $ 377 |
| Liabilities and stockholders' investment: | | | | |
| Other liabilities | $ 2 | $ 1 | $ - | $ 1 |
| Stockholders' investment | 379 | 375 | 1 | 376 |
| | $381 | $ 376 | $ 1 | $ 377 |
| Statement of income | | | | |
| Income | $ 54 | $ 52 | - | 52 |
| Costs and expenses | 50 | (40) | - | (40) |
| Operating income | 4 | 12 | - | 12 |
| Income taxes | - | (3) | - | (3) |
| Net income | $ 4 | $ 9 | $ - | $ 9 |

DIESA is audited by independent public auditors other than the Entity's auditors.

Associates

Associates are all entities over which the Entity has significant influence but not control since it has the voting power of the associated companies' shares; it has a seat in the Board of Directors or other equivalent body of the associated company; it participates in establishing the financial and operating policies of the associate company; it participates in decisions to declare dividends and other beneficial owner movements.

When determining whether the Entity has significant influence over a company, the existence and effects of potential voting rights currently exercisable or convertible were considered. The existence of significant influence is also evaluated in cases where less than 25% of the voting shares are held, but where the Entity can steer a company's relevant operations.

Investments in associates are valued using the equity method and they are initially recorded at cost. Recognition of the equity method begins on the date on which there is significant influence over an associated company and it stops when said influence is lost.

The Entity's interest in the net profit or loss of associates, subsequent to their acquisition, is recognized in the statement of income. Movements subsequent to the acquisition are accumulated and adjusted to the carrying value of the investment. When the Company's interest in the losses of an associate exceeds the carrying value of its investment, including any accounts receivable not guaranteed recorded in the associate, the Company does not recognize said excess losses, except where there is the legal or assumed obligation to make payments on behalf of the associate.

The gains and losses resulting from a reduction in the shareholding percentage of the holding company that do not involve the loss of significant influence over the associates are recognized in the statement of income for the period in which they occur.

Any increases in the shareholding percentages of the holding company over the associate that do not result from new acquisitions or contributions because they are the result of movements by other shareholders are not recognized by the holding company.

b. Transactions in foreign currency - Foreign currency transactions are recorded in the currency of origin. Transactions involving the purchase and sale of currencies are carried out at the exchange rate in effect at transaction date. Assets and liabilities denominated in a foreign currency are stated in local currency at the rate of exchange published by Banxico in effect at financial statement date. Exchange fluctuations are recorded in income for the period.

The currencies used by the Entity are the US dollar, Swiss franc, Pound sterling , Canadian dollar, Japanese yen and Euro.

c. Cash and cash equivalents - These items are recorded and valued at their nominal value; coined precious metals are valued at fair value. Yields arising from cash and cash equivalents are recorded in income as they accrue.

Cash and cash equivalents in a foreign currency and commitments to purchase and sell currencies are valued at the exchange rate published by Banxico at the financial statement date.

Restricted cash and cash equivalents pertain to the Monetary Regulation Deposit with Banxico (Central Bank) and bear interest at the Institution funding rate.

This caption also includes the amount corresponding to short-term interbank loans (call money granted), when the term does not exceed three business days, as well as foreign currency acquired whose settlement is due on a date after the transaction date, recognizing both as restricted cash and cash equivalents.

d. Investments in securities

Investments in securities include debt and equity securities, which are classified on the basis of the intended use assigned by Entity's management at the time they are acquired as "for trading", "available for sale" or "to be held to maturity". They are initially recorded at fair value, which includes any discount or surcharge. The costs of transactions involving the acquisition of trading securities are recognized in the statement of income for the period, and those corresponding to securities available for sale or held to maturity are recognized as part of the investment. Interest is recorded in the statement of income as it is earned.
Securities for trading

This includes securities held by management to operate on the market that are recorded at acquisition date at fair value. Those securities are subsequently valued at a fair value provided by price vendors authorized by the CNBV based on the market value, and any adjustments for valuation are recorded in income for the period.

At the date of sale of those securities, the difference between the net realizable value and the carrying value is recorded in income.

Securities available for sale

This category includes debt securities and shares acquired for a purpose other than that of securities held for trading or held to maturity, which are recorded upon acquisition at their fair value. Those securities are subsequently valued at a fair value provided by price vendors authorized by the CNBV based on the market value, and any adjustments for valuation are recorded in stockholders' equity.

Equity securities are valued at fair value using prices supplied by authorized price vendors, and if it is not possible to obtain those values, they are valued based on the equity method as established in NIF C-7 "Investments in associated companies, joint ventures and other permanent investments".

Securities to be held to maturity

These are debt securities with determinable payments acquired to be held to maturity. Securities held to maturity are valued at their amortized cost, i.e., the fair value affected by interest accrued that includes amortization of the premium or discount and any transaction costs that may have been recorded. At the date of sale of those securities, the difference between the net realizable value and the carrying value is recorded in income.

At December 31, 2014 and 2013, the Entity evaluated whether or not there was objective evidence that a security had been impaired by considering, among others, the following matters: significant financial difficulties of the issuer of the security; the likelihood of the issuer filing for bankruptcy or undergoing another type of financial reorganization; breach of the contractual clauses; the disappearance of an active market for that specific security due to financial difficulties, or the existence of a measurable decrease in estimated future cash flows. Based on the aforementioned evaluation, the Entity observed no objective evidence of impairment of the securities.

In 2014 and 2013, the Entity made no transfers from the securities held to maturity category to the securities available for sale category.

e. Repurchasing operations - Repurchasing operations are a form of financing with collateral which involves providing cash as financing in exchange for financial assets, which are used as protection in the event of noncompliance.

With the Entity as seller, the Entity's own financial assets are recorded in the respective caption as restricted assets; financial assets received as a result of repurchase operations are recorded in memorandum accounts of collateral guarantees received and sold. In the case of both restricted financial assets and collateral guarantees received, the Entity follows the same recording, presentation and disclosure guidelines established in the accounting criteria for credit institutions.

Accounts payable representing an obligation to repay cash to the buyer are valued at amortized cost.

With the Entity as the buyer, the account receivable representing the right to recover cash given is valued at amortized cost. Financial assets received as collateral are recorded in memorandum accounts of collateral guarantees received, and they are valued following the standards for custodial operations established in criterion B-9.

The result of valuation of repurchase operations is recognized in income for the period.

For presentation purposes, the asset caption of the balance sheet shows restricted financial assets in accordance with the applicable presentation standards depending on the type of asset in question. When the Entity in turn offers financial assets received from repurchase operations as guarantee, the account receivable to which it is entitled as the buyer is compensated against the account payable for which it is liable as the seller. If the result is a debit balance, it is recorded in assets under Accounts receivable from repurchase operations, and when it is a credit balance it is sown in liabilities under Collateral guarantees sold or pledged.

Accounts payable which the Entity is required to settle as the seller of financial assets owned by the Entity are shown in liabilities under creditors for repurchase operations.

In addition, when selling the collateral or using it as a guarantee, the Entity recognizes in an account payable as "collateral sold or pledged", the obligation to reimburse the collateral to the seller of the securities at the agreed-upon price, and subsequently values it at fair value, or at its amortized cost if pledged, in another repurchase operation. Additionally, control of said collateral is recorded in memorandum accounts under "collateral received and sold or pledged", valued at fair value.

f. Derivative financial instruments (DFI) - The Entity carries out operations with derivative financial instruments held for trading, in order to earn profits in accordance with the policies and limits established by the Comprehensive Risk Management Committee (CAIR for its acronym in Spanish), and for hedge purposes in order to compensate market risks arising from fluctuations in exchange and interest rates, as well as from counterparty risk.

In accordance with criterion B-5 "Derivative instruments and hedge operations" of the CNBV, hedge operations are classified as fair value, cash flows and foreign currency operations; the operations carried out by the Entity were classified as fair value.

All DFI for trading or hedging are recognized in the balance sheet as assets and liabilities, depending on the rights and/or obligations specified in the confirmations of terms agreed between the parties involved.

DIFs are initially recorded at fair value, which is the price agreed for the operation, and are classified on the basis of their intended use, as established by the Entity's management. They are subsequently valued at their fair value. Transaction costs directly attributable to the acquisition of such derivatives are applied directly to income under "Intermediation result".

The risk management area developed the "Effectiveness model", which makes it possible to measure changes the in fair value or cash flows of hedge instruments based on a hedge factor or ratio that fluctuates between 80% and 125% of the inverse correlation.

Futures and forwards contracts

As a participant of the futures market, the Entity has the policy of hedging risk positions associated to the relationship between USD assets and liabilities, and for purchase-sale of Mexican pesos vs. the US dollar, or of the US dollar vs. other currencies.

Operations carried out in futures markets for trading purposes are referred to the Mexican pesos vs. the US dollar and they are offered to borrowers as part of credit support for programs financing foreign trade operations

Operations carried out in the futures market are performed with banks who have investment ratings issued by authorized risk rating agencies, which considerably mitigates the related credit and legal risks.

Operations carried out by the Entity in futures markets are for trading purposes. For those operations, the fair value of rights and obligations is the theoretical price determined as per formal valuation techniques. That balance represents the difference between the fair value of the operation and the stipulated forward price. The results of those instruments are shown as intermediation results.

At December 31, 2014 and 2013, there were no operations in futures markets or forwards contracts in effect.

Swaps operations

Operations contracted by the Entity with this type of instruments are considered to be fair value hedges, since their purpose is to hedge open risk positions, both of interest rates and of currencies.

Swap operations are carried out to hedge interest rate or exchange rate risks depending on the conditions of the funds attracted and the placement of resources with borrowers. The foregoing makes it possible to exchange similar flows of fixed interest rates for variable interest rates, or otherwise flows of different currencies vs. the US dollar, in opposite conditions to those that give rise to the open risk position.

Swap operations are contracted with financial entities that have been issued an investment rating by accepted risk rating agencies, with which the credit and legal risk inherent to this type of operations is limited.

The Entity measures the effectiveness of hedges with swaps derivative financial instruments, through a model determined by the risk management area.

Options contracts

Options are agreements establishing the right, yet not the obligation, for the buyer to purchase or sell a financial or underlying asset at a determined price called an exercise price, on an established date or at a determined period. Option agreements involved two parties, where the buyer of the option pays a premium on the acquisition thereof, and in turn obtains a right, yet not an obligation, and the party issuing or selling the option receives a premium and in turn acquires an obligation, yet not a right. In 2013, the Entity carried out no such contracts.

g. Loan portfolio - Loans made are recorded as assets from the date of disposal of the respective funds. The amount given to borrowers is supplemented with the accrued interest based on the loan payment arrangement.

Loans are made after analyzing the financial position of the borrower, the economic feasibility of investment projects and other general factors established in the Law, as well as the provisions of the Entity's internal manuals and policies.

Interest accrued on current loan operations is recognized and applied to income as it is incurred.

Interest collected in advance is recognized as advanced collections under deferred loans and are amortized over the life of the loan by the straight-line method against income for the period.

Commissions collected upon initial awarding of credit lines, including commissions for loan reorganization, are recorded as a deferred credit, which is amortized against income for the year by the straight line method over the life of the loan. Commissions known after the loan is granted are recorded on the date they are generated against income for the period.

The following items are considered to qualify as past due portfolio:

- It is known that a borrower has been declared bankrupt, in accordance with the Bankruptcy Law (BL), and as of September 25, 2014 this type of borrowers who continue making payments in the terms of the BL are transferred to the past due loan portfolio.

- Loans payable in a single amortization of capital and interest at maturity that are not covered in a period of 30 or more calendar days past due.

- Loans payable in a single amortization of capital at maturity and periodic interest payments, when interest is 90 or more calendar days past due or capital is 30 or more days past due.

- Loans payable in installments towards capital and interest after 90 calendar days past due.

- Revolving loans when invoices are behind two periods, or 60 or more calendar days past due.

Interest accrued during the period in which the loan is considered to be overdue is recorded as income when collected and interest accrued at the date on which they are no longer accumulated are estimated 100%.

Restructured and renewed loans - Restructured loans remain in the past due portfolio and the allowance for loan losses is maintained until there is evidence of sustained payment.

Renewed loans where the borrower does not pay interest accrued and 25% of the original amount of the loan on a timely basis are considered past due until there is evidence of sustained payment.

The restructuring or renewal of current loans differing from those described in the preceding paragraph continues to be considered in the following terms:

a. If the restructuring or renewal is carried out without at least 80% of the original term of the loan having elapsed, and if all accrued interest has been paid as well as the principal of the original amount of the loan that should have been covered at the date of the restructuring or renewal.

b. If the restructuring or renewal is carried out during the last 20% of the original term of the loan and if all accrued interest has been paid as well as the principal of the original amount of the loan that should have been covered at the date of the restructuring or renewal and 60% of the original amount of the loan.

Restructuring of a loan is not considered to occur when on the realization date payment has been made of the total amount of principal and interest payable and it only modifies only one or several of the following original loan conditions, such as: i. Guarantees: only when they imply the extension or replacement of guarantees for others of better quality; ii. Interest rate: when the agreed interest rate is improved; iii. Currency: provided the rate corresponding to the new currency is applied, and iv. Payment date: only when the change does not involve exceeding or modifying the frequency of the payments. In no case may the change in payment date allow the omission of the payment for any period.

Problem loans - Problem commercial loans are considered to be current and past due loans with regard to which it is determined, based on current information and facts and on a review process, that they will most likely not be recovered in full, either the principal or the interest, in the originally agreed terms and conditions.

Suspension of interest accrual - Interest incurred on loan operations stops being accrued when the unpaid balance of the loan is considered to be overdue.

As long as the loan is classified as part of the past due portfolio, control over interest accrued is kept in memorandum accounts. If past due interest is collected, it is recognized directly in income for the year.

Loans are transferred to the current loan portfolio when past-due balances are settled in full (principal and interest, among others) or, in the case of restructured or renewed loans, when there is evidence of sustained payment on the loan, as per the Accounting Criteria.

h. Allowance for loan losses

The commercial loan portfolio was rated on December 31, 2014 and 2013 in adherence to the Provisions issued by the CNBV on June 24, 2013 and its subsequent amendments, which rating is based on an expected loss model that considers the likelihood of default, the severity of the loss and the exposure to default, while the consumer and housing loan portfolio was rated as per the methodology for rating non-revolving consumer loan and housing mortgage portfolios referred to in Point A of Sections One and Two of Chapter V, Title Two, of the General Provisions applicable to Credit Institutions published in an amending resolution on October 25, 2010 and in subsequent amendments.

The Financial Entities commercial loan portfolio was rated based on the aforementioned methodology in March 2014, as explained later on.

Following is an explanation of each of the above methodologies:

General methodology based on an expected credit risk loss model

The amount of allowance for loan losses for each loan is the result of applying the following formula:

Ri = PIi X SPi X EIi

Where:

| | |
|---|---|
| Ri | Amount of allowance for loan losses to be set up |
| PIi | Probability of default on the loan |
| SPi | Severity of loss |
| EIi | Exposure to default on the loan |

EIi must be calculated monthly, and PIi and SPi at least quarterly

Allowance for commercial loan losses are classified depending on the degree of risk and the percentages shown in the following table:

| Risk levels | Percentage ranges | |
|---|---|---|
| A-1 | 0.00% | 0.90% |
| A-2 | 0.901% | 1.50% |
| B-1 | 1.501% | 2.00% |
| B-2 | 2.001% | 2.50% |
| B-3 | 2.501% | 5.00% |
| C-1 | 5.001% | 10.00% |
| C-2 | 10.001% | 15.50% |
| D | 15.501% | 45.00% |
| E | Above 45.00% | |

In order to rate the commercial loan portfolio based on the expected loss model, we took the following into consideration:

1. The commercial loan portfolio was classified in accordance with the Provisions as applicable to the Entity, based on the following:

   I. Federal and municipal entities (Not applicable to the Entity).

   II. Projects with own source of payment (Exhibit 19).

   III. Trustees acting under a trust, not included in the above section, and loan arrangements commonly referred to as "structured" (Not applicable to the Entity).

   IV. Financial Entities (Exhibit 20)

   V. Business entities not included in the above sections and individuals engaged in business operations:

   - Net income or net annual sales < 14 million UDI's (Exhibit 21).

     "Borrowers with no late payments" in the last 12 months.
     "Borrowers with late payments" of at least one day in the last 12 months.

   - Net income or net annual sales ≥ 14 million UDI's (Exhibit 22).

     Small corporations: 14 million UDI's ≥ Annual net sales < 54 million UDI's.
     Corporations: 54 million UDI's ≥ Annual net sales < 216 million UDI's.
     Large corporations: Annual net sales ≥ 216 million UDI's.

2. In complying with Transitory Article Three published in the June 24, 2013 amending Resolution, which establishes that the new methodology is effective as of January 1, 2014 for commercial loan portfolios referred to in Section IV "Financial Entities" (Exhibit 20) of article 110 of the Provisions, requiring that 100% of the portfolio reserves be set up at June 30, 2014, the Entity rated said portfolio and determined its allowances for loan losses based on the previous rating methodology up to February 2014. The initial effect of adopting the methodology in March 2014 consisted in a reserve release of $45 that was recorded as per the provisions of paragraph 78 of criterion B-6 Loan portfolio, which establishes that when the allowances for loan losses balance exceeds the required amount, the difference must be canceled against income for the year with an entry in the allowances for loan losses for credit risks.

Following is the comparison between the amounts of allowance for loan losses of financial intermediaries calculated on the basis of the previous and new methodologies:

| Risk level | February 2014 | March 2014 | Difference in allowances for loan losses |
|---|---|---|---|
| A-1 | $ 21 | $ 43 | $ 22 |
| A-2 | 69 | 22 | (47) |
| B-1 | 14 | 2 | (12) |
| B-2 | 47 | 2 | (45) |
| C-2 | - | 7 | 7 |
| D | - | 30 | 30 |
| Total | $ 151 | $ 106 | ($45) |

3. In 2013, the initial effect of adopting the methodology described above was a reserve release of $891 that was recorded as per the provisions of paragraph 78 of criterion B-6 Loan portfolio, which establishes that when the allowance for loan losses balance exceeds the required amount, the difference must be canceled against income for the year with an entry in the allowance for loan losses, and if the amount to be canceled exceeds the balance, the surplus is recognized as other operating income (expenses). As a result of the foregoing, allowance sfor loan losses were cancelled in the statement of income and the $257 surplus was recorded under Other operating income (expenses).

Following is a comparison of the amounts of allowance for loan losses, calculated using the methodology set forth in the Resolution of June 24, 2013, described in the above paragraphs, vs. the reserves prepared in accordance with current methodologies prior to the enactment of the Resolution in question.

| Risk level | November 2013 | December 2013 | Difference in allowance for loan losses |
|---|---|---|---|
| A-1 | $ 194.2 | $ 383.6 | $ 189.4 |
| A-2 | 314.8 | 158.7 | (156.1) |
| B-1 | 277.5 | 27.8 | (249.7) |
| B-2 | 416.4 | 47.9 | (368.5) |
| B-3 | 59.5 | 14.2 | (45.3) |
| C-1 | 71.0 | 6.7 | (64.2) |
| C-2 | 56.4 | 0.0 | (56.4) |
| D | 204.8 | 121.1 | (83.7) |
| E | 626.7 | 566.3 | (60.4) |
| Additional allowances | 100.0 | 100.0 | 0.0 |
| Former employees | 17.3 | 21.6 | 4.3 |
| Total | $2,338.7 | $1,448.0 | ($890.6) |

4. In the case of past due loans that had already been reserved 100% and that at December 31, 2013 had been issued an "E" rating, the respective loan reserve is maintained for a total of $556 until those loans are settled, defaulted on, renewed or restructured. At December 31, 2014, a borrower settled the full amount of its debt, releasing estimations in accordance with accounting criteria in the amount of $45.

5. In accordance with the provisions of the last paragraph of Transitory Article Four of the Amending Resolution of June 24, 2013, application of the new methodology for rating portfolios based on expected losses was treated by the Entity as a "change in a specific standard" in accordance with the provisions of NIF B-1 "Accounting changes and error corrections", which establishes that the financial statements presented vs. those of the current period that are affected by an accounting change must be adjusted or reclassified retrospectively to recognize the effects of the change as though the new standard had always been used. Paragraphs 21 to 23 of that NIF establish that when it is not practical to determine the accrued effects for all previous periods affected, application can be done prospectively in the current year, provided that any of the following conditions are met:

   a. the effect of retrospective application cannot be determined, however, the Entity's management has made every reasonable and justifiable effort;

   b. retrospective application requires making assumptions about the intention of the Entity's management in office at the time of the affected period, in light of the facts that are now known and that give rise to need for retrospective application; or

   c. retrospective application requires making significant estimates for a prior period and it is not possible to objectively determine whether the information used to make said estimates was available at the date on which the affected operations should have been recognized in the financial statements, or if the information was generated subsequently.

   Additionally, Rulings 113-1/17501/2015 and 320-1/15106/2013 dated January 8, 2015 and August 21, 2013, respectively, issued by the CNBV to the Mexican Bank Association addresses the question made by that Group regarding confirmation of the criterion of considering it impractical to determine the financial effect arising from the change in the model for setting up allowances for loan losses, specifying that credit institutions may refrain from making comparative adjustments when preparing their 2013 quarterly and annual financial statements, as well as for the financial statements of the second quarter of 2014, if it is considered impractical to determine the amounts of periods prior to 2013, complying with any of the conditions set forth in paragraph 23 of NIF B-1 and observing the provisions of paragraph 26 of the NIF in question for disclosure purposes.

   The Entity considered it impractical to retrospectively recognize in stockholders' equity of the 2013 and 2012 financial statements, the initial accumulated financial effect of applying the methodology for rating commercial loan portfolios then in effect in the terms of the provisions of the Resolution published on June 24, 2013, since it already meets the conditions set forth in point c) of paragraph 23 of NIF B-1, because in order to determine the effect in question it is necessary to make significant estimates in a previous period and it is not possible to objectively determine whether the information used to arrive at said estimates was available at that date, aside from the fact that the information was generated subsequently, because there is no definition of the parameters for determining the expected loss at December 31, 2012 and 2013, as it is necessary to obtain historic information, which was not available due to the following:

- The data contained in the portfolio rating system used with the above methodology relates mainly to financial information, since consideration was previously given to solvency levels, while the new methodology evaluates the expected loss based on statistical information, giving preference to payment experience.

- In order to apply the new rating methodology, new software was acquired that generated the rating at December 31, 2013, except for the interim financial statements which were rated in March 2014. There is no historic information that could be applied to prior periods with a breakdown and the features required nor are there sources from which to obtain it.

- Historic information has no standardized behavior and therefore there could be inconsistencies.

- If necessary, obtaining consistent information would require following an analysis, authorization and implementation process, which means that the time and resources available would have to be allocated to work of that magnitude, which in turn means using specialized personnel on a full time basis or investing greater human, technological and economic resources.

- Specialized personnel concentrated on the implementation of the new methodology, for which purpose the process was analyzed, developed and implemented, i.e., from gathering the necessary information to acquiring the new system to rate the portfolio based on the expected loss methodology, which also required the participation of the areas involved in the rating process. The foregoing impeded the immediate implementation of the process for rating prior periods' portfolios.

  In complying with paragraph 26 of NIF B-1, a description was provided of the circumstances in which the model for setting up allowances for loan losses based on expected losses of the commercial loan portfolio was applied.

Methodology to rate the consumer and housing loan portfolio

Rating of the non-revolving consumer and housing mortgage portfolios is determined based on the estimated result of the effects of the probability of default on the severity of the loss associated to the value and nature of loan guarantees. Those portfolios originate from loans made to employees, who after concluding their employment relationship with the Entity form part of the loan portfolio in accordance with the regulations established by the CNBV.

On the basis of the foregoing, the Entity calculates the amount of the allowances for loan losses e, which is recorded in income for the period in question, and it periodically evaluates whether a past due loan must remain in the balance sheet, or instead be written off or eliminated, which is done by canceling the unpaid balance of the loan against the allowances for loan losses.

The $1,673 and $1,448 of the allowance for loan losses at December 31, 2014 and 2013 is comprised of the rating requirement at those dates in the amount $1,568 and $1,348, respectively, which includes $15 and $25, respectively, for the reserve of 100% of interest accrued but not collected of the past due portfolio, in order to comply with paragraph 66 of criterion B-6, which establishes that a reserve must be set up for an amount equivalent to such loss, and $105 and $100 of additional reserves, respectively. In determining additional reserves reported to the CNBV that the Entity was required to set up in 2014, consideration was given to the Entity's interest in strategic sectors that reflect greater exposure in relation to Commercial Banks as regards terms, amounts and intended uses. Additionally, a comparison was made between the Entity's current past due portfolio and the average past due portfolio of Commercial Banks, assuming that the Entity's past due portfolio average would tend to the median of the Institution portfolio and reach a percentage similar to that of Commercial Banks in the short term.

Recovery of loans previously written off or eliminated is recognized in income for the period.

The surplus in the allowance for loan losses is canceled against income for the period, affecting the items from which it originated, i.e., the allowance for loan losses. If the amount to be canceled exceeds the recorded estimate, it is recorded as other operating income (expenses).

The Entity periodically evaluates whether a past due loan must remain in the balance sheet or instead be written off. If applicable, the balance is written off by canceling the unpaid balance of the loan against the allowance for loan losses. If the balance of the loan that is to be written off exceeds the amount of the related allowance, said allowance is increased up to the amount of the difference before the balance is written off. In 2014 and 2013, the Entity did not apply the loan portfolio against the allowance for loan losses.

The additional reserves recognized by the Commission are those set up to cover risks that were not considered in the different methodologies for rating loan portfolios, and whose origin, methodology for determination thereof, amount and the time they are expected to be required were all reported to the Commission prior to their creation. At December 31, 2014 and 2013, the Entity has additional allowance for loan losses of $105 and $100, respectively.

Pardons, quitclaims, rebates and discounts, whether partial or total, are recorded with a charge to the allowance for loan losses. If the amount exceeds the balance of the reserve associated to the loan, estimations are first created up to the amount of the difference.

i. Other accounts receivables - Accounts receivable other than the Entity's loan portfolio and collection rights comprise, among others, loans made to officers and employees, favorable tax balances, transaction liquidation accounts, collateral given in cash for derivative financial instrument operations and items directly related to the loan portfolio.

Collection of loans made to officers and employees is done through the payroll.

With respect to the accounts receivable from identified debtors whose maturity is agreed from the start at a term of more than 90 calendar days, a reserve is recorded that reflects the extent of its irrecoverability.

No such allowances are set up for favorable tax balances and transaction liquidation accounts.

j. Foreclosed items or items received as payment in kind - These items are recorded at the lower of the cost or fair value less costs and expenses strictly indispensable incurred in the respective distribution.

If the carrying value of the asset giving rise to the distribution of the goods or the payment in kind is lower than the value of the foreclosed items, the value of the item is adjusted to the carrying value of the asset.

Assets acquired as a result of a court award are recorded on the date on which the court record approving the foreclosure whereby the court award was ordered becomes final and conclusive. Assets received as payment in kind are recorded on the date on which the payment-in-kind deed is signed or the asset ownership transfer is formalized.

Foreclosed items are considered to be non-monetary items.

Based on the Second Title "Prudential Provisions", Chapter V "Portfolio rating", Section III, point E "Of reserves for holding foreclosed items or items received as payment in kind" of the Sole Circular issued by the CNBV, the Entity creates additional provisions for potential loss in the value of the items foreclosed judicially or extrajudicially, be they movable property or real property, as well as collection rights and investments in securities.

The Entity prudentially adopted the policy of reserving 100% of foreclosed items or items received as payment in kind, in order to recognize the recovery of the loan when the related items are sold.

In the case of items committed for sale, the base distribution value used to determine the reserve is the carrying value less collections received to cover those items. Said value is applied reserve percentages in accordance with the tables shown in Section E of the Provisions in question.

i. Collection rights or movable property

| Time elapsed as of foreclosed or payment in kind of assets(months) | Percentage of reserve % |
|---|---|
| Up to 6 | 0 |
| More than 6 and up to 12 | 10 |
| More than 12 and up to 18 | 20 |
| More than 18 and up to 24 | 45 |
| More than 24 and up to 30 | 60 |
| More than 30 | 100 |

ii. Real property

| Time elapsed as of<br>the court award of payment in kind (months) | Estimate<br>percentage % |
|---|---|
| Up to 12 | 0 |
| More than 12 and up to 24 | 10 |
| More than 24 and up to 30 | 15 |
| More than 30 and up to 36 | 25 |
| More than 36 and up to 42 | 30 |
| More than 42 and up to 48 | 35 |
| More than 48 and up to 54 | 40 |
| More than 54 and up to 60 | 50 |
| More than 60 | 100 |

At the time of the sale, the difference between the selling price and book value of the foreclosed goods in question is applied to income for the period under "Other operating income (expenses)".

k. Property, furniture and equipment - This item is expressed as follows: i) acquisitions made as from January 1, 2008 at acquisition cost and ii) acquisitions made until December 31, 2007, restated by applying Investment Unit (UDI) factors up to December 31, 2007 to their acquisition costs. Until December 31, 1996, real property was restated to its net replacement value based on appraisals performed by independent experts and quarterly factors communicated by the CNBV.

Depreciation of property is calculated by the straight line method based on the remaining useful lives of assets determined by independent experts.

Depreciation of furniture and equipment is calculated by the straight line method considering their acquisition cost less their residual value (straight-line method) over restated values.

Property, furniture and equipment are subject to annual impairment testing, only when signs of impairment are identified. Consequently, they are expressed at modified historical cost, less accumulated depreciation and, when applicable, impairment loss.

l. Impairment in the value of long-lived assets and their disposal. At December 31, 2014 and 2013, there were no signs of impairment in definite life long-lived assets, due to which annual impairment testing of their recoverable values was not required.

m. Permanent investments in associates are initially recorded based on the amounts invested, contributed or the acquisition value, and are subsequently valued by the equity method, which consists of adjusting the value of the investment, contribution or the acquisition value of the shares, by the proportional amount of comprehensive income or losses and the distribution of profits for capital reimbursements subsequent to the acquisition date. Losses in associated companies not arising from reductions in the percentage of equity are recognized in the corresponding proportion in permanent stock investments.

The Company's equity in the results of associates is shown separately in the statement of income.

Other permanent investments over which there is no significant influence for decision making purposes are valued at acquisition cost. Dividends arising from such investments are recognized in the statement of income for the period in which they are received, except when they relate to profits of years prior to the acquisition of the investment, in which case they are deducted from permanent investments.

n. Prepayments - Prepayments comprise expenses incurred by the Entity where the risks and benefits inherent to the goods to be acquired and services to be received have not been transferred yet. Prepayments are recorded at cost and are shown in the balance sheet under Deferred charges, prepayments and intangible assets. Once the goods and/or services for which prepayments made are received, they are recorded as an asset or an expense in the statement of income for the period, respectively.

Expenses incurred for issuing liabilities are amortized by the straight line method considering the term of the security from which they arose.

o. Traditional fund attraction - Liabilities incurred for fund attraction through certificates of deposit, fixed time deposits, bank acceptances and promissory notes with yields payable at maturity are recorded based on the contractual value of the liability. Interest accrued is recognized in income for the period as an interest expense.

In securities placed at a price other than their nominal value, in addition to the matter mentioned in the paragraph above, a deferred charge or credit, as applicable, is on the difference between the nominal value of the securities and the cash amount received for them. That deferred credit or debit is amortized by the straight-line method against income for the period during the term of the securities from which it arises.

Securities placed at a discount and not bearing interest are initially recorded based on the cash received for them. The difference between the nominal value of the securities and the amount of cash mentioned above is recorded in income for the period by the effective interest method.

p. Interbank loans and loans from other entities - Liabilities arising from interbank loans are recorded based on the contractual value of the obligation; interest accrued is recognized directly in the Entity's income as an interest expense.

q. Provisions - Preparation of financial statements in accordance with accepted accounting practices requires the Entity to prepare estimations that affect the figures reported in the financial statements and the accompanying disclosures. Estimations are based on Management's best estimate of current facts.

The Entity sets up reserves for contingent liabilities resulting from lawsuits, as per the legal risk policies and procedures authorized by the Comprehensive Risk Management Committee (CAIR for its acronym in Spanish).

A number of policies were implemented in 2013 to quantitatively assess the Entity's operating risk, recording the respective reserves and updating them based on the procedure authorized by the CAIR (See the on Comprehensive Risk Management).

r. Sundry creditors and other accounts payable - This caption includes transaction liquidation accounts, accounts receivable from margin accounts, accounts receivable from collateral guarantees received in cash, sundry creditors and other accounts payable, the latter which includes cash and cash equivalents that in accordance with the provisions of criterion B-1 "Cash and cash equivalents" must be shown as a liability.

s. Income Tax (IT) and 2013 Flat Tax (IETU) payable and deferred.

Payable and deferred taxes are applied to income for the period as an expense, except when arising from a transaction or event recognized outside income for the period as other comprehensive income or an item recognized directly in stockholders' equity.

Deferred IT is recorded based on the comprehensive method of assets and liabilities, which consists of recognizing deferred tax for all temporary differences between the book and tax values of assets and liabilities expected to materialize in the future, at the rates set forth in the tax provisions in effect at the financial statement date. The Company recognized deferred income tax, as its financial and tax projections indicate that the Company will essentially pay income tax in the future.

Deferred income tax related to other comprehensive items that have not been identified as realized continues to be presented under stockholders' equity and is to be reclassified to income for the year as it is realized.

As a result of the publication of the 2014 Tax Reform, at December 31, 2013, the Entity no longer recognizes deferred IETU and the effects of its cancellation are recorded in income for the year, and therefore as of that year deferred IT is no longer recognized.

t. Deferred employees' statutory profit-sharing (ESPS).

Deferred ESPS is recorded on the basis of the full-scope method of assets and liabilities, which consists of recognizing deferred ESPS on all temporary differences between the book and tax values of assets and liabilities for which payment or recovery thereof is expected. Deferred ESPS related to other comprehensive items not identified as realized is presented under stockholders' equity and is to be reclassified to income for the year, as those items are realized.

ESPS payable and deferred is charged to income and represents the liability payable in a term under one year. ESPS incurred is shown under administration and promotion expenses.

u Employee benefits - The Federal Labor Law establishes the obligation to make certain payments to employees who cease to work under certain conditions or who comply with certain requirements, as well as to pay the obligations established in the respective labor agreements.

NIF D- 3 in effect as of January 1, 2008 contemplates shorter periods for amortizing unamortized items, and it even provides the option to recognize actuarial gains or losses directly in income. The accounting policy adopted by the Entity after the enactment of that standard in 2008 consists of amortizing actuarial gains or losses not contributed over the remaining average labor life of active personnel.

The Entity has plans in place for payment of pensions, seniority premiums and retirement benefits to its personnel in addition to those established in the Law.

Retirement benefit obligations are quantified under the projected unit credit method, determined by an actuarial calculation performed by independent experts. At December 31, 2014 and 2013 the calculation was prepared and adjusted to the actual figure in the same period.

Employee benefits offered by the Entity to its employees, including defined benefit plans (or defined contributions), are as follows:

Direct benefits (salaries, overtime, vacations, holidays and paid absences) are recognized in income as they accrue and the respective liabilities are expressed at face value given their short-term nature. Absences paid in conformity with legal or contractual provisions are non-cumulative.

Retirement benefits (pensions, seniority premiums and indemnities, etc.) are recorded based on actuarial studies performed by independent experts using the projected unit credit method.

The net cost for the period based on actuarial calculations over projected benefits is recognized as an expense in income for the period. Indemnities and direct labor costs are charged to income in the year in which they are paid.

The Entity has a defined contribution plan in place for newly hired personnel who upon reaching 60 years of age and 30 years of service are entitled to a retirement pension for life that is equivalent to the total fund accumulated in his/her individual account.

v. Stockholders' Equity

The capital stock, premium on sale of shares, legal reserve, contributions for future capital increases and retained earnings are expressed as follows: i) movements made as from January 1, 2008 at historical cost, and ii) movements made before January 1, 2008 at restated values determined by applying UDI factors until December 31, 2007 to their historical values. Consequently, the different stockholders' equity items are expressed at their modified historical cost.

The net premium on sale of Capital Contribution Certificates (CAPs for its acronym in Spanish) represents the surplus between the payment of subscribed CAPs and the face value thereof.

The Entity's future capital increase contributions are recognized in a caption separate from contributed capital when certain requirements are met. Those requirements include the existence of a formal agreement in place, that shares have no fixed yield until they are capitalized and that they are not reimbursable. Future capital increase contributions that fail to meet the aforementioned requirements are recorded as liabilities.

w. Comprehensive income - The amount of comprehensive income shown in the statement of changes in stockholders' equity is the result of the Entity's performance in the period and it is comprised of the net income plus items that in accordance with specific provisions were directly recorded in stockholders' equity and do not constitute capital contributions, reductions or distributions. The comprehensive income for 2014 and 2013 is expressed in historical pesos.

Also presented is the increase or decrease in equity resulting from two types of movements: those inherent to shareholder decisions and those resulting from recognition of the comprehensive income.

x. Trust operations - The Entity records the equity of the trusts that it manages in the memorandum accounts caption, in light of the responsibility involved in realizing or complying with the business purpose of those trusts. In some cases, the above responsibility is limited to accounting for the trust's assets, while in other cases it includes recording assets and liabilities generated from the respective operations.

The trust's equity recognized in memorandum accounts is valued as per the Accounting Criteria.

Income from management of trusts and income arising from custodial or administrative services is recorded in income for the period as it accrues.

y. Custody and administration operations

Administration operations include those conducted by entities on behalf of third parties, such as the purchase and sale of securities and derivative financial institutions, repurchase operations and securities lending.

Given that said goods are not owned by the Entity they do not form part of the balance sheet. However, the estimated amount for which the Entity would be liable in the event of a future contingency is recorded in suspense accounts, with the exception of cash received for payment of services on behalf of third parties.

The estimated amount of goods under custody or administration is determined on the basis of the related operation.

In the event the Entity is liable to the depositing party for damages or loss of the goods under custody or administration, the respective liability is applied to income for the period. Said entry is recorded when the liability becomes known, irrespective of any legal action taken by the depositing party towards repair of the loss or damage.

Income from custody or administration services is applied to income for the period as it is earned.

In the event the goods under custody are also held under administration, they are controlled separately.

z. Income recognition - The yields generated by cash and cash equivalents and investments in securities are applied to income as they arise.

Interest on the loan portfolio is recognized as it accrues, except for interest on the overdue portfolio, which is recorded when the respective amounts are actually collected. Commissions collected on initial credit lines are recorded as deferred credit, which is amortized against income for the year under the straight line method over the life of the loan.

aa. Information by segments - First tier loan operations refer to loans made directly to companies; second tier interbank loans channel resources through banking financial intermediaries and other non-bank intermediaries and financial markets, and fund attraction relates to obtaining the necessary funds to meet the Annual Financial Program authorized by the Department of Finance, cover the Entity's liquidity needs and assign transfer costs to the operating segments that require resources to carry out their operations.

The Accounting Criteria do not require disclosure per each geographic area where the Entity operates at which identified segments generate income or hold production assets.

bb. Related parties

The Entity conducted transactions with related parties during the regular course of operations. Operations with related parties are understood to be those in which the Entity is owed money in connection with deposits or other cash and cash equivalent operations and loans, credits or discounts, revocable or irrevocable, documented by means of credit memoranda or agreements, as well as loan restructuring, renewal or modification operations, including net positions favoring the Entity arising from derivative operations and investments in securities other than shares.

Related parties are defined as either individuals or entities holding direct or indirect control of 2% or more of the shares representing the Entity's capital, as well as the members of the Entity's Board of Directors.

Also considered as related parties are business entities, as well as the advisors and officers thereof, in which the Entity has direct or indirect control over 10% or more their capital.

The total sum of operations with related parties does not exceed 50% of the basic portion of the Entity's net capital, as set forth in article 50 of the law.

## Note 4 - Foreign currency operations:

The Entity complies with the following standards and limits issued by Banxico for foreign currency operations:

a. The position, either long or short, in dollars must be equivalent to a maximum of 15% of the Entity's basic capital.

b. The foreign currency position must not exceed 2% of net capital, except as concerns the dollar or currencies referred to the USD, which can reach up to 15%.

c. Liabilities assumed in a foreign currency must not exceed 183% of the Entity's basic capital.

d. The investment regime of foreign currency operations requires maintaining a minimum level of liquid assets, as per the calculation mechanics established by Banxico, according to the term to maturity of foreign currency operations.

At December 31, 2014 and 2013, the amount of foreign currency operations carried out in the currencies used by the Company and the position of currencies are as follows:

2014

(In thousands)

| Currencies | Asset | Liability | Position in source currency | Mexican pesos exchange rate | Mexican Pesos |
|---|---|---|---|---|---|
| | Source currency | | | | |
| US dollar | 5,744,535 | 5,749,795 | (5,260) | $14.74140 | ($ 78) |
| Pound sterling | 13 | - | 13 | 22.98479 | - |
| Canadian dollar | - | - | - | 12.72625 | - |
| Japanese yen | 11,751 | - | 11,751 | 0.12296 | 2 |
| Euro | 2,174 | 1,882 | 292 | 17.83857 | 5 |
| | | | | | ($ 71) |

2013

(In thousands)

| Currencies | Asset | Liability | Position in source currency | Mexican pesos exchange rate | Mexican Pesos |
|---|---|---|---|---|---|
| | Source currency | | | | |
| US dollar | 5,281,986 | 5,273,941 | 8,045 | $ 13.08430 | $105 |
| Swiss franc | 93 | - | 93 | 14.71460 | 1 |
| Pound sterling | 26 | - | 26 | 21.66891 | 1 |
| Canadian dollar | - | - | - | 12.31494 | - |
| Japanese yen | 11,998 | - | 11,998 | 0.12450 | 2 |
| Euro | 3,504 | 2,682 | 822 | 18.03017 | 15 |
| | | | | | $124 |

The exchange risk position, both as a whole and per currency, does not exceed the limit equivalent to 15% of the Entity's basic capital, which totals USD 172,546 thousand and USD 142,253 thousand at December 31, 2014 and 2013, respectively.

The exchange risk position at December 31, 2014 and 2013 is as follows:

| | Currencies restated to USD (thousands) | |
|---|---|---|
| | 2014 | 2013 |
| US dollar | $21,638 | $35,330 |
| Swiss franc | - | 105 |
| Pound sterling | 20 | 44 |
| Japanese yen | 98 | 114 |
| Euro | 356 | 1,155 |
| Total | $22,112 | $36,748 |

In determining the exchange risk position, the following exchange rates were utilized (Currency - US dollar):

| | Exchange rates | |
|---|---|---|
| Currency | 2014 | 2013 |
| US dollar | $ 1.000000 | $ 1.0000000 |
| Swiss franc | 0.993641 | 0.8892051 |
| Pound sterling | 0.641355 | 0.6038283 |
| Canadian dollar | 1.158346 | 1.0624734 |
| Japanese yen | 119.904077 | 105.0420168 |
| Euro | 0.826378 | 0.7256894 |

At December 31, 2014 and 2013, the exchange rates used to convert figures to Mexican pesos are as follows:

| | Exchange rates | |
|---|---|---|
| Currency | 2014 | 2013 |
| US dollar | $ 14.741400 | $ 13.084300 |
| Swiss franc | 14.835740 | 14.714600 |
| Pound sterling | 22.984790 | 21.668910 |
| Canadian dollar | 12.726250 | 12.314940 |
| Japanese yen | 0.122960 | 0.124500 |
| Euro | 17.838570 | 18.030170 |

At February 25, 2015, the exchange rates used to convert figures to Mexican pesos are as follows:

| Currency | Exchange rates |
|---|---|
| US dollar | $ 15.083200 |
| Swiss franc | 15.897133 |
| Pound sterling | 23.366909 |
| Canadian dollar | 12.153090 |
| Japanese yen | 0.126818 |
| Euro | 17.121710 |

**Note 5 - Cash and cash equivalents:**

At December 31, 2014 and 2013, cash and cash equivalents are made up as follows:

| | 2014 | 2013 |
|---|---|---|
| Domestic bank deposits | $ 3,305 | $ 2,494 |
| Deposits in foreign banks | 122 | 108 |
| Demand deposits | 2,932 | 8,634 |
| Call Money | 3,310 | 3,021 |
| Time deposits | 295 | 6,385 |
| Purchase of spot currencies | 70 | 16 |
| Other | (90) | (268) |
| | $ 9,944 | $ 20,390 |

Domestic bank deposits:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Thousands of USD | Mexican pesos | Thousands of USD | Mexican Pesos |
| Banco de México F.C. | 387 | $ 6 | 603 | $ 8 |
| Banco de México MXP | - | 3,279 | - | 2,465 |
| Other banks F.C | 889 | 13 | 963 | 13 |
| Other banks MXP | - | 7 | - | 8 |
| | 1,276 | $3,305 | 1,566 | $2,494 |

Deposits in foreign banks:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Source currency thousands | Mexican pesos | Source currency thousands | Mexican pesos |
| Mexican pesos | $ 135 | $ - | $ 135 | $ - |
| US dollar | 5,536 | 82 | 5,493 | 72 |
| Swiss franc | - | - | 93 | 1 |
| Pound | 13 | - | 26 | 1 |
| Yens | 11,751 | 2 | 11,998 | 1 |
| Euros | 2,150 | 38 | 1,805 | 33 |
| | | $122 | | $108 |

Demand deposits:

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| Source currency | Rate | Term days | Source currency thousands | Mexican pesos | Rate | Term days | Source currency thousands | Mexican pesos |
| USD | 0.02% to 0.18% | 2 | 198,901 | $ 2,932 | 0.01% to 0.017% | 2 | 657,580 | $ 8,604 |
| Euros | | | | | 0.01% to 0.04% | 2 | 1,653 | 30 |
| | | | | $ 2,932 | | | | $ 8,634 |

Call Money:

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| Source currency | Rate | Term days | Source currency thousands | Mexican pesos | Rate | Term days | Source currency thousands | Mexican pesos |
| Domestic banks | | | | | | | | |
| MXP | 2.95% | 2 | $11,992 | $ 12 | 3.50% | 2 | 102,444 | $ 103 |
| FC | 0.24% | 2 | $223,700 | 3,298 | 0.38% | 2 | 223,020 | 2,918 |
| | | | | $ 3,310 | | | | $ 3,021 |

Time deposits:

| 2014 | | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Rate | Term days | Source currency | Source currency thousands | Mexican pesos | Rate | Term days | Source currency | Source currency thousands | Mexican pesos |
| 0.05% to 0.65% | 7 to 21 | USD | 20,000 | $ 295 | 0.05% to .65% | 7 to 21 | USD | 488,000 | $ 6,385 |

Currency purchases (Spot):

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Source currency | Source currency thousands | Mexican Pesos | Source currency | Source currency thousands | Mexican Pesos |
| Foreign banks | USD | 4,769 | $70 | USD | 1,231 | $ 16 |

Other:

| | 2014 | 2013 |
|---|---|---|
| Petty cash | $ 3 | $ 2 |
| Foreign bills and coins | 3 | 2 |
| Sales of spot currencies | (96) | (279) |
| Interest accrued on investments in deposits | - | 7 |
| | ($ 90) | ($ 268) |

## Note 6 - Investments in securities:

Investments in securities are subject to different types of risk that are basically associated to the market in which they operate, the interest rates associated to the term, the exchange rates and the inherent credit and market liquidity risks.

Risk management policies, and the analysis of risk to which the Entity is exposed, are described in Note 28.

At December 31, 2014 and 2013, investments in securities are comprised as follows:

a. Trading securities:

| | 2014 | 2013 |
|---|---|---|
| Unrestricted government bonds | $ 554 | $ 109 |
| Unrestricted bank bonds | 3,000 | 4,000 |
| Repurchase operation securities | 101,302 | 94,254 |
| Guarantee government bonds | 12 | 17 |
| | $104,868 | $ 98,380 |

- Unrestricted government bonds

Unrestricted government bonds at December 31, 2014 and 2013 are comprised as follows:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Appreciation (deficit) | Carrying value | Fair value | Appreciation (deficit) |
| Unrestricted government bonds | $ 554 | $ 554 | $ - | $109 | $109 | $ - |

- Unrestricted bank bonds

Unrestricted bank bonds at December 31, 2014 and 2013 are comprised as follows:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Appreciation (deficit) | Carrying value | Fair value | Appreciation (deficit) |
| Debt instruments | $3,000 | $3,000 | $ - | $4,000 | $4,000 | $ - |

- Repurchase operation securities

Repurchase operation securities at December 31, 2014 and 2013 are comprised as follows:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Appreciation (deficit) | Carrying value | Fair value | Appreciation (deficit) |
| Government securities in repurchase operations | $101,297 | $101,302 | $ 5 | $94,252 | $ 94,254 | $ 2 |

- Guarantee government bonds

Guarantee government bonds at December 31, 2014 and 2013 are comprised as follows:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Appreciation (deficit) | Carrying value | Fair value | Appreciation (deficit) |
| Guarantee government bonds | $ 12 | $ 12 | $ - | $ 17 | $ 17 | $ - |

b. **Securities available for sale:**

| | 2014 | 2013 |
|---|---|---|
| Obligations and other USD securities | $ 1,142 | $1,027 |
| Securities representing guarantee | 90 | 81 |
| Shares MXP | 25 | 35 |
| Shares USD | 18 | 15 |
| Valuation of hedging swaps (net) | (158) | (74) |
| | $ 1,117 | $1,084 |

- **Obligations and other securities**

**Obligations and other securities at December 31, 2014 and 2013 are made up as follows:**

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Appreciation (deficit) | Carrying value | Fair value | Appreciation (deficit) |
| Debt certificates | $1,169 | $1,142 | ($ 27) | $1,038 | $1,027 | ($ 11) |

- **Securities representing guarantee**

**Guarantee securities used in derivative instrument operations at December 31, 2014 and 2013 are comprised as follows:**

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Appreciation (deficit) | Carrying value | Fair value | Appreciation (deficit) |
| Debt instruments | $88 | $90 | $ 2 | $79 | $81 | $ 2 |

- **Shares in Mexican pesos**

**Shares in Mexican pesos at December 31, 2014 and 2013 are made up as follows:**

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Acquisition cost | Fair value | Unrealized loss | Acquisition costs | Fair value | Unrealized loss |
| Unlisted | $97 | $25 | ($ 72) | $ 97 | $35 | ($ 62) |

- **Shares in foreign currency - restated to pesos**

**Shares in foreign currency at December 31, 2014 and 2013 are made up as follows:**

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Acquisition cost | Fair value | Unrealized loss | Acquisition costs | Fair value | Unrealized loss |
| Unlisted in USD | $ 6 | $ 18 | $ 12 | $ 5 | $ 15 | $ 10 |

**Dividends collected from shares available for sale in 2014 and 2013 total $0.76 and $0.63. The valuation result recognized in other comprehensive income items under stockholders' equity in 2014 and 2013 is $27 and $18, respectively.**

c. **Securities held to maturity:**

| | 2014 | 2013 |
|---|---|---|
| Government bonds | $147 | $143 |

**Government bonds at December 31, 2014 and 2013 are comprised as follows:**

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Amount | Interest provision | Total | Amount | Interest provision | Total |
| Government bonds | $ 110 | $ 37 | $ 147 | $112 | $31 | $ 143 |

d. **Interest income, results of valuation and results of purchase and sale of securities in 2014 and 2013:**

| | 2014 | 2013 |
|---|---|---|
| Income from purchase and sale of securities | $ 313 | $ 358 |
| Interest income | 4,322 | 4,680 |
| Result of valuation | 3 | 10 |

## Note 7 - Repurchase operations:

**Repurchase operations carried out at December 31, 2014 and 2013 were mainly for Savings Protection Bonds, Development Bonds, Fixed Rate Bonds, Cetes, Udibonds and stock exchange certificates; repurchase operation terms fluctuate from 1 to 28 days.**

a. Seller

- Collateral guarantees received and sold or pledged by the Entity (memorandum accounts)

| | 2014 | 2013 |
|---|---|---|
| Government bonds | $ 35,352 | $13,938 |

- Creditors for repurchase operations

| | 2014 | 2013 |
|---|---|---|
| For securities owned by the Entity[1]: | | |
| Government bonds | $101,312 | $94,201 |

[1] Repurchased securities are recorded under Securities held for trading.

| | 2014 | 2013 |
|---|---|---|
| Securities received as collateral for repurchase operations: | | |
| Government bonds | $ 35,343 | $13,932 |

b. Buyer

- Debtors for repurchase operations

| | 2014 | 2013 |
|---|---|---|
| Government bonds | $63,267 | $27,042 |
| Inventories | 192 | 134 |
| Total | 63,459 | 27,176 |
| Debtors for repurchase operations | $28,116 | $13,244 |

- Collateral guarantees received by the entity (memorandum accounts)

| | 2014 | 2013 |
|---|---|---|
| Government bonds | $63,298 | $27,203 |
| Inventories | 252 | - |
| Total | $63,550 | $27,203 |

In 2014 and 2013, premiums obtained for repurchase operations amounted to $1,602 and $1,442, respectively, and premiums paid for repurchase operations totaled $3,997 and $4,397.

**Note 8 - DFI operations:**

DFIs at December 31, 2014 and 2013 are made up of CAPs held for trading and fair value hedging swaps operations. To manage balance risk for long-term operations, the Entity mainly contracts interest rate and/or currency swaps that cover exposure from asset or liability operations.

**At December 31, 2014 and 2013 the Entity has contracted swaps for an equivalent of USD2,458 million and USD2,462 million, respectively, and purchase-sale options for trading of USD21.8 million and USD 17.9 million, respectively, as follows:**

Swaps

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Purchase | Sale | Purchase | Sale |
| Swaps: | | | | |
| To hedge the portfolio | $15,366 | $15,674 | $ 9,268 | $ 9,472 |
| To hedge securities or security assets | 884 | 1,039 | 785 | 990 |
| To hedge securities or security liabilities | 24,358 | 28,133 | 21,084 | 22,271 |
| | $40,608 | $44,846 | $31,137 | $32,733[1] |

[1] **The net amount between the purchase and sale prices is $4,238 and $1,596 in 2014 and 2013, respectively.**

**To hedge the loan portfolio:**

| | | | Thousands | | | Mexican pesos | |
|---|---|---|---|---|---|---|---|
| | Type of swap | Source currency | Principal | Interest | Total | 2014 | 2013 |
| Purchase | Rate | USD | 471,596 | 5 | 471,601 | $ 6,952 | $5,364 |
| Purchase | Rate | MXP. | 8,398,961 | 14,648 | 8,413,609 | 8,414 | 3,904 |
| | | | | | | $15,366 | $9,268 |

| | | | Thousands | | | Mexican pesos | |
|---|---|---|---|---|---|---|---|
| | Type of swap | Source currency | Principal | Interest | Total | 2014 | 2013 |
| Sale | Rate | USD | 471,596 | 589 | 472,185 | $ 6,961 | $5,374 |
| Sale | Rate | MXP. | 8,398,961 | 22,509 | 8,424,470 | 8,425 | 3,915 |
| | | | | | | 15,386 | 9,289 |
| Valuation | Rate | USD | | | 14,401 | 212 | 192 |
| Valuation | Rate | MXP. | | | 76,473 | 76 | (9) |
| | | | | | | $15,674 | $9,472 |

To hedge security or bond assets:

| | Type of swap | Source currency | Principal | Thousands<br>Interest | Total | Mexican pesos<br>2014 | Mexican pesos<br>2013 |
|---|---|---|---|---|---|---|---|
| Purchase | Rate | USD | 60,000 | - | 60,000 | $ 884 | $ 785 |
| Sale | Rate | USD | 60,000 | 1,617 | 61,617 | $ 908 | $ 806 |
| Surcharge | Rate | USD | | | 19,639 | 290 | 257 |
| Valuation | Rate | USD | | | (10,781) | (159) | (73) |
| | | | | | | $1,039 | $ 990 |

To hedge security or bond liabilities:

| | Type of swap | Source currency | Principal | Thousands<br>Interest | Total | Mexican pesos<br>2014 | Mexican pesos<br>2013 |
|---|---|---|---|---|---|---|---|
| Purchase | Currency | MXP. | 24,222,000 | 178,152 | 24,400,152 | $24,400 | $21,417 |
| Valuation | Currency | MXP. | | | (42,355) | (42) | (333) |
| | | | | | | 24,358 | 21,084 |
| Sale | Currency | USD | 1,904,533 | 1,978 | 1,906,511 | 28,105 | 22,188 |
| Valuation | Currency | USD | | | 1,956 | 28 | 83 |
| | | | | | | $28,133 | $22,271 |

At December 31, 2014 and 2013, the results of valuation of fair value hedge securities are as follows:

| | 2014<br>Derivative | 2014<br>Primary position | 2013<br>Derivative | 2013<br>Primary position |
|---|---|---|---|---|
| Swaps | ($346) | $349 | $351 | ($351) |

Options

| | Underlying | Source currency | Thousands<br>Source currency | Amount Mexican pesos<br>2014 | Amount Mexican pesos<br>2013 |
|---|---|---|---|---|---|
| Purchase | Rate | MXP. | 6,883 | $ 7 | $ - |
| Purchase | Rate | USD | 330 | 5 | - |
| Valuation | Rate | | | (6) | - |
| | | | | $ 6 | $ - |
| Sale | Rate | MXP. | 8,083 | $ 8 | $ - |
| Sale | Rate | USD | 295 | 4 | - |
| Valuation | Rate | | | (7) | - |
| | | | | $ 5 | $ - |

At December 31, 2014, the Entity made loans with protected rates whose principal of USD 4 million and fair value of USD 24 thousand have been recorded in memorandum accounts. No such operations were conducted in 2013.

**Note 9 - Loan portfolio:**

a. At December 31, 2014 and 2013, this caption is comprised as follows:

Portfolio in foreign currency - restated to Mexican pesos:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| Type of loan | Current | Past-due | Total | Current | Past-due | Total |
| Commercial loans | $67,860 | $32 | $ 67,892 | $ 44,477 | $ 72 | $ 44,549 |
| Loans made to financial entities | 6,356 | 10 | 6,366 | 2,837 | - | 2,837 |
| Loans made to government entities | 1,328 | - | 1,328 | 2,041 | - | 2,041 |
| Subtotal | $75,544 | $42 | $ 75,586 | $ 49,355 | $ 72 | $ 49,427 |

Portfolio in Mexican pesos:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| Type of loan | Current | Past-due | Total | Current | Past-due | Total |
| Portfolio in F.C. | $ 75,544 | $ 42 | $ 75,586 | $49,355 | $ 72 | $49,427 |
| Commercial loans | $ 30,294 | $547 | $ 30,841 | $23,997 | $911 | $24,908 |
| Loans made to financial entities | 7,840 | 105 | 7,945 | 8,273 | - | 8,273 |
| Consumer loans | 17 | 5 | 22 | 23 | 4 | 27 |
| Housing loans | 125 | 9 | 134 | 149 | 5 | 154 |
| Subtotal | 38,276 | 666 | 38,942 | 32,442 | 920 | 33,362 |
| Total | $113,820 | $708 | $114,528 | $81,797 | $992 | $82,789 |

b. Past-due portfolio at December 2014 and 2013:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Term | Amount | % | Amount | % |
| From 1 to 180 days | $ 164 | 23 | $ 510 | 51 |
| From 181 to 365 days | 63 | 9 | 480 | 48 |
| From 1 to 2 years | 481 | 68 | 3 | - |
| Total | $ 708 | $100 | $ 992 | $ 100 |

c. **Main movements in past due portfolio:**

| | 2014 | 2013 |
|---|---|---|
| Opening balance of past due portfolio | $ 992 | $ 63 |
| Difference per exchange rate from opening balance | 5 | 3 |
| Payments | (228) | (333) |
| Allocations to current portfolio | (451) | (49) |
| Cancellations due to renewals | (138) | (276) |
| Cancellations due to restructurings | (341) | (60) |
| Loan opening due to renewals | 157 | 457 |
| Loan opening due to restructurings | 342 | 60 |
| Allocations to past due portfolio | 370 | 1,127 |
| Ending balance of past due portfolio | $ 708 | $ 992 |

At December 31, 2014 and 2013, the past-due loan portfolio balance is made up of 17 and 15 former employees, and of eight and nine companies, respectively, seven of which are involved in a judicial or extrajudicial process and one under sustained payment in 2014, and in 2013 4 of them were under sustained payment.

d. **Breakdown of the portfolio per economic sector at December 2014 and 2013:**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Sector per economic activity | Amount | % | Amount | % |
| Agricultural | $ 327 | 0.33 | $ - | 0.00 |
| Mining | 3,093 | 3.13 | 2,624 | 3.77 |
| Food, beverages and tobacco | 3,220 | 3.26 | 3,758 | 5.40 |
| Textiles, clothing and leather industry | 137 | 0.14 | 98 | 0.14 |
| Lumber and wood products industry | 81 | 0.08 | 96 | 0.14 |
| Paper, print shops and publishing houses | 1,415 | 1.43 | 1,164 | 1.67 |
| Chemical substances and plastic or rubber items | 10,218 | 10.33 | 7,745 | 11.12 |
| Non-metal mineral products | 5,946 | 6.01 | 5,224 | 7.50 |
| Metal industry | 2,796 | 2.83 | 26 | 0.04 |
| Metal products, machinery and equipment | 14,396 | 14.56 | 14,401 | 20.68 |
| Other manufacturing industries | - | 0.00 | 332 | 0.48 |
| Construction industry | 1,167 | 1.18 | 1,159 | 1.66 |
| Electricity, gas and water | 7,090 | 7.17 | 2,070 | 2.97 |
| Trade | 3,001 | 3.03 | 2,345 | 3.37 |
| Tourism | 17,670 | 17.87 | 11,301 | 16.23 |
| Transportation and communication | 7,581 | 7.67 | 1,602 | 2.30 |
| Real property and lease services | 18,630 | 18.84 | 13,359 | 19.18 |
| Professional, personal and social services | 1,405 | 1.42 | 1,936 | 2.78 |
| Unclassified services | 410 | 0.41 | 152 | 0.22 |
| Individuals | 156 | 0.16 | 181 | 0.26 |
| (Valuation primary position portfolio at risk) | 150 | 0.15 | 65 | 0.09 |
| Private sector | 98,889 | 86.34 | 69,638 | 84.11 |
| Government sector | 1,328 | 1.16 | 2,041 | 2.47 |
| Financial sector | 14,311 | 12.50 | 11,110 | 13.42 |
| Total | $114,528 | 100.00 | $82,789 | 100.00 |

e. Loans restructured and renewed in:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | | Portfolio | | | Portfolio | |
| Type of loan | Current | Past-due | Total | Current | Past-due | Total |
| Commercial loans: | | | | | | |
| Restructured | $12,338 | $52 | $12,390 | $7,599 | $367 | $7,966 |
| Renewed | 271 | 15 | 286 | - | 135 | 135 |
| Housing loans: | | | | | | |
| Restructured | 24 | 3 | 27 | 25 | 1 | 26 |
| Consumer loans: | | | | | | |
| Restructured | 2 | - | 2 | 2 | - | 2 |
| Total | $12,635 | $70 | $12,705 | $7,626 | $503 | $8,129 |

On October 31, 2013, a Debt Recognition, Interest Capitalization and Restructuring Agreement was formalized with a Foreign Financial Entity, whereby it was agreed to recover a total of USD146.3 million and which is recognized in memorandum accounts. According to said agreement, the amount in question will be recovered in a term of fifteen years through quarterly payments. At December 31, 2014, the equity balance is USD130 million.

f. Additional guarantees and concessions offered for restructured loans.

In 2014, additional guarantees or concessions were offered for restructured loans in the amount of $816 ($0 in 2013).

g. Interest and commissions:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| Type of loan | Interest collected | Commissions collected | Total | Interest collected | Commissions collected | Total |
| Commercial loans | $3,688 | $ 81 | $3,769 | $3,038 | $ 141 | $3,179 |
| Loans made to financial entities | 668 | - | 668 | 639 | - | 639 |
| Loans made to government entities | 89 | - | 89 | 143 | - | 143 |
| Consumer loans | 1 | - | 1 | 1 | - | 1 |
| Housing loans | 5 | - | 5 | 8 | - | 8 |
| Total | $4,451 | $ 81 | $4,532 | $3,829 | $ 141 | $3,970 |

h. Commissions on initial granting of loans

Commissions collected upon initial granting of loans not yet deferred at December 31, 2014 and 2013 total $392 and $254, respectively, and are offset against income for the year as interest income by the straight line method over the life of the loan. The weighted term for amortizing commissions at December 31, 2014 and 2013 is 2.52 years and 3.57 years, respectively.

i. Rediscounts

Rediscounts for 2014 and 2013 totaled $13,521 and $9,984, respectively.

j. Breakdown of problem loans and non-problem loans

The breakdown of total loans, classified as problem and non-problem, current and past due, is as follows:

| | | 2014<br>Portfolio | |
|---|---|---|---|
| | Current | Past due | Total |
| Non-problem portfolio | $132,665 | $ 6 | $132,671 |
| Problem portfolio. | 481 | 674 | 1,155 |
| Past-due interest | | 15 | 15 |
| Total rated portfolio | $133,146 | $695 | $133,841 |

| | | 2013<br>Portfolio | |
|---|---|---|---|
| | Current | Past due | Total |
| Non-problem portfolio | $93,616 | $126 | $93,742 |
| Problem portfolio. | 39 | 832 | 871 |
| Past due interest | - | 25 | 25 |
| Total rated portfolio | $93,655 | $983 | $94,638 |

1) Restated at the exchange rates in effect on December 31, 2014 and 2013.
2) Ratable portfolio.
3) It is comprised of the commercial portfolio, government entities, financial intermediaries and irrevocable guarantees and letters of credit and international factoring.
4) Does not include the consumer and housing portfolio.
5) Past due interest is included for information purposes, as established in the provisions for rating portfolios, and it is reserved as it is incurred.

k. Allowance for loan losses at December 31, 2014 and 2013.

The balance of this caption was determined based on the loan portfolio rated at December 31, 2014 and 2013, in accordance with the rules issued by the Department of Finance and the CNBV, with the following results:

Total ratable portfolio per type of loan at December 31, 2014

| Rating | Commercial | Government entities | Financial intermediaries | Guarantees | Housing portfolio | Consumer portfolio | Total |
|---|---|---|---|---|---|---|---|
| A-1 | $ 85,642 | $1,032 | $10,610 | $18,191 | $ - | $ - | $115,475 |
| A-2 | 8,830 | 147 | 1,675 | 1,205 | - | - | 11,857 |
| B-1 | 1,429 | - | 1,230 | 706 | - | 8 | 3,373 |
| B-2 | 719 | - | 128 | 1 | - | 5 | 853 |
| B-3 | 746 | - | 279 | - | 109 | - | 1,134 |
| C-1 | - | - | 95 | - | 2 | 1 | 98 |
| C-2 | 5 | - | - | - | 1 | - | 6 |
| D | 495 | - | 115 | - | 1 | 1 | 612 |
| E | 546 | - | - | - | 21 | 7 | 574 |
| Subtotal | 98,412 | 1,179 | 14,132 | 20,103 | 134 | 22 | 133,982 |
| Past-due interest | 15 | - | - | - | - | - | 15 |
| Total | $ 98,427 | $1,180 | $14,131 | $20,103 | $ 134 | $ 22 | $133,997 |

Does not include the rating-exempt portfolio by 152.

Allowance required per risk group at December 31, 2014

| Rating | Commercial | Government entities | Financial intermediaries | Guarantees | Housing portfolio | Consumer portfolio | Total |
|---|---|---|---|---|---|---|---|
| A-1 | $ 433 | $ 5 | $ 62 | $ 83 | $ - | $- | $ 583 |
| A-2 | 95 | 2 | 18 | 13 | - | - | 128 |
| B-1 | 24 | | 20 | 13 | - | - | 57 |
| B-2 | 15 | | 3 | - | - | - | 18 |
| B-3 | 32 | | 9 | - | 2 | - | 43 |
| C-1 | - | | 5 | - | - | - | 5 |
| C-2 | 1 | | - | - | - | - | 1 |
| D | 100 | | 52 | - | - | - | 152 |
| E | 546 | | - | - | 15 | 5 | 566 |
| Subtotal | 1,246 | 7 | 169 | 109 | 17 | 5 | 1,553 |
| Past-due interest | 15 | | - | - | - | - | 15 |
| Total | $ 1,261 | $ 7 | $ 169 | $ 109 | $ 17 | $ 5 | 1,568 |
| Additional Allowances | | | | | | | 105 |
| Total allowances | | | | | | | $ 1,673 |

Total ratable portfolio per type of loan at December 31, 2013

| Rating | Commercial | Government entities | Financial intermediaries | Guarantees | Housing portfolio | Consumer portfolio | Total |
|---|---|---|---|---|---|---|---|
| A | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| A-1 | 60,385 | 1,178 | 3,833 | 10,864 | - | - | 76,260 |
| A-2 | 6,547 | 667 | 6,802 | 856 | - | - | 14,872 |
| B | - | - | - | - | 133 | 20 | 153 |
| B-1 | 897 | - | 252 | - | - | - | 1,149 |
| B-2 | 45 | - | 136 | 667 | - | - | 848 |
| B-3 | 513 | - | - | - | - | - | 513 |
| C | - | - | - | - | 7 | 3 | 10 |
| C-1 | 98 | - | - | - | - | - | 99 |
| C-2 | - | - | - | - | - | - | - |
| D | 330 | - | - | - | 14 | - | 344 |
| E | 542 | - | - | - | - | 4 | 546 |
| Subtotal | 69,357 | 1,845 | 11,023 | 12,388 | 154 | 27 | 94,794 |
| Past-due interest | 25 | - | - | - | - | - | 25 |
| Total | $ 69,382 | $ 1,845 | $ 11,023 | $ 12,388 | $ 154 | $ 27 | $ 94,819 |

Does not include the exempt portfolio by 178.

Allowance required per risk group at December 31, 2013

| Rating | Commercial | Government entities | Financial intermediaries | Guarantees | Housing portfolio | Consumer portfolio | Total |
|---|---|---|---|---|---|---|---|
| A | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| A-1 | 302 | 9 | 20 | 52 | - | - | 383 |
| A-2 | 74 | 8 | 67 | 9 | - | - | 158 |
| B | - | - | - | - | 3 | 1 | 4 |
| B-1 | 15 | - | 13 | - | - | - | 28 |
| B-2 | 1 | - | 14 | 33 | - | - | 48 |
| B-3 | 14 | - | - | - | - | - | 14 |
| C | - | - | - | - | 3 | 1 | 4 |
| C-1 | 7 | - | - | - | - | - | 7 |
| C-2 | - | - | - | - | - | - | - |
| D | 121 | - | - | - | 10 | - | 131 |
| E | 542 | - | - | - | - | 4 | 546 |
| Subtotal | 1,076 | 17 | 114 | 94 | 16 | 6 | 1,323 |
| Past-due interest | 25 | - | - | - | - | - | 25 |
| Total | $ 1,101 | $ 17 | $ 114 | $ 94 | $ 16 | $ 6 | 1,348 |
| Additional allowances | | | | | | | 100 |
| Total allowances | | | | | | | $ 1,448 |

Movements in the allowance for loan losses were as shown below:

| | 2014 | 2013 |
|---|---|---|
| Balances at beginning of year | $1,448 | $ 1,706 |
| Increase/(release) net | 167 | (257) |
| Pardons | | (3) |
| | | (5) |
| Exchange effect | 61 | 4 |
| Ending balances | $1,673 | $ 1,448 |

The allowance for loan losses set up by the Entity includes $15 and $25 at December 31, 2014 and 2013, respectively, as a supplement to reserve 100% of past due interest at the closing of each of those years.

In rating the loan portfolio in 2014 and 2013, the Entity applied the methodologies set forth in the General Provisions Applicable to Credit Institutions for each year, as specified in Note 3h.

In 2014, loan reserves comprise 1.5% of the total portfolio and cover 2.4 times the past-due portfolio; in 2013, those indexes were 1.7% and 1.5 times, respectively.

Criterion B-6 "Loan portfolio" of Exhibit 33 of the Sole Circular establishes that the Entity may opt to eliminate from its assets any past due loans that have been reserved 100%. In 2014 and 2013, the Entity eliminated no loans from its assets.

The amounts recovered from this loan portfolio eliminated from assets in prior years were $292 and $272 in 2014 and 2013, respectively, and were recorded under Other operating income (expenses).

The amount of the rating-exempt portfolio (Federal Government and Development Banking) is $152 and $178 in 2014 y 2013, respectively.

l. Interest income recognized in loans at the moment of capitalization.

Interest income recognized in the moment of capitalization in 2014 and 2013 total $9 and $31, respectively.

m. Credit lines

The amount for opening credit lines recorded in memorandum accounts at December 31, 2014 and 2013 totals $5,156 and USD5,675, and $3,800 and USD4,511, respectively.

Policies and procedures for making, controlling and recovering loans

The loans manual contains the guidelines of the Credit process (PDC), which start with the definition of the objective market and end with the recovery of a loan.

**Specific policies for each phase of the PDC process mentioned below are set forth in the operating manuals and are an integral part of the Entity's credit regulation scheme.**

- Business development

    1. Development and/or updating of programs and products

    2. Promotion management - first tier

        § Addendum No. 1 (July 18, 2014).

    3. Promotion management - second tier

    4. First tier credit file management

    5. Second tier credit file management

- Analysis and decisions

    1. Borrower Evaluation Credit analysis - first tier

        § Addendum No. 1 (April 11, 2014).

        § Addendum No. 2 (July 18, 2014).

        § First tier financial program matrices

    2. Borrower Evaluation Legal report of opinion - first tier

    3. Borrower Evaluation Credit analysis - second tier

        § Addendum No. 1 (June 26, 2012).

        § Addendum No. 2 (November 8, 2013).

        § Addendum No. 3 (August 6, 2014).

    4. Borrower Evaluation Legal report of opinion - second tier

    5. Authorization

- Instrumentation and disbursement

    1. Contracting - first tier

    2. Contracting - second tier

    3. Registration and release of credit lines, authorization for disposal and letters of credit - first tier

  - § Addendum No. 1 (June 26, 2013).
  - § Addendum No. 2 (February 18, 2014).

4. Registration and release of credit lines, authorization for disposal and letters of credit - second tier
   - § Addendum No. 1 (June 28, 2013).
   - § Addendum No. 2 (February 18, 2014).
5. Safeguarding of securities documentation - first tier
6. Safeguarding of securities documentation - second tier

- Follow-up
  1. Portfolio management and control - first tier
  2. Portfolio management and control - second tier
  3. Supervision and follow up on borrowers and intermediaries
     - § Addendum No. 1 (June 20, 2014).
  4. Portfolio rating
- Recovery
  1. Specialized Collections Function (FEC for its acronym in Spanish) - first tier
  2. Specialized Collections Function (FEC) - second tier
  3. Collection management - first tier
  4. Collection management - second tier
  5. Recovery of portfolio with collection problems.
  6. Application of allowances for loan losses and loan write-offs.
- Support processes
  1. Credit regulations
     - § Addendum No. 1 (December 17, 2013).

2. Investigation of borrowers

3. Preparation of Credit Process General Reports (PDC for its acronym in Spanish)

4. Receipt, management, promotion and sale of movable property and real property awarded by a court and given as payment in kind.

5. Prices and rates system

- Other loan programs

1. Former employee portfolio management

2. Financing of foreign trade inventories

Following are management's policies and procedures for determining risk concentrations:

Further to point a) of section II of article 80 of the General Provisions Applicable to Credit Institutions issued by the CNBV, specifically as concerns credit portfolio risk, the Entity measures, evaluates and follows up on its concentration per type of financing, rating, economic sector, geographic area and borrower. Concentrations are reported monthly to the CAIR through the Report on Operations and Credit Position.

The Entity's Risk Management department issues Risk Regulation Circulars that establish an internal policy to determine the maximum financing amounts allowed for Common Risks per type of borrower, which are below the regulatory risks established by the CNBV, in order to control concentration per borrower or group of borrowers that pose Common Risks.

Concentration risk

Following are management's policies and procedures for determining risk concentrations:

Per borrower:

There are three types of maximum amounts per borrower or group of borrowers that pose a Common Risk:

For the purpose of carrying out Asset Operations, article 54 of the General Provisions Applicable to Credit Institutions of the CNBV establishes that banks must establish maximum financing limits for a single person or groups of persons who, given the Common Risk that they pose, are considered to be one person. In accordance with article 57 of those Provisions, the regulatory limits applicable to the Entity in the fourth quarter of 2014, considering the 13.90% capitalization index, are 30% of the basic capital ($4,507.8, equivalent to USD305.7 million at the $14.7414 exchange rate in effect on December 31, 2014) per private sector borrower and 100% of the basic capital ($15,026.1, equivalent to USD1,019.3 million) for other types of borrowers.

The Comprehensive Management Regulations Manual establishes the prudential measure of observing 85% of the regulatory limits to avoid breakage in the event of high depreciations in the peso/dollar exchange rate or in case of reductions in the core capital. Prudential limits applicable to the Entity in the quarter in question are $3,831.6 (equivalent to USD259.9 million) per borrower of the private sector and $12,772.2 (equivalent to USD866.4 million) for other types of borrowers.

However, the Entity determines financing amounts below the prudential limits as part of its internal measures to prevent concentrations and supervening facts to the granting of loans. The internal financing policy established by management per borrower or group of borrowers of the private sector who pose Common Risks is of $190 million dollars, the equivalent to $2,800.8, which comprises 18.6% of the core capital.

Per economic sector:

In order to manage the soundness of the main loan portfolios during economic crises, there is a maximum prudential level in place of 30% of the balance of each portfolio per geographic area or city, economic sector and loan beneficiary, in order to avoid concentrations and shorten and diversify risk.

**Note 10 - Other accounts receivable:**

At December 31, 2014 and 2013, this caption is comprised as follows:

| | 2014 | 2013 |
|---|---|---|
| Loans made to Entity personnel | $ 2,028 | $ 1,974 |
| Debtors for collateral given in cash | 2,731 | 680 |
| Debtors for settlement of currency purchase and sale operations | 96 | 279 |
| Assigned accounts receivable | 55 | 90 |
| Sundry debtors | 47 | 41 |
| Debtors for commissions on current operations | 11 | 9 |
| Value added tax | 6 | 8 |
| Flat tax | - | 210 |
| Debtors for settlement of repurchase operations | 1 | 1 |
| Write-off allowance | (37) | (33) |
| Total | $ 4,938 | $ 3,259 |

At December 31, 2014 and 2013, the Entity has accounts receivable in foreign currency restated to Mexican pesos of $27 and $21, respectively.

**Note 11 - Foreclosed assets:**

a. The breakdown of these goods at December 31, 2014 and 2013 is as shown below:

| Item | Mexican pesos | USD million | Mexican pesos | 2014 | 2013 |
|---|---|---|---|---|---|
| Personal property | $ 33 | $ - | $ - | $ 33 | $ 33 |
| Securities | 26 | 9 | 136 | 162 | 146 |
| Collection rights | 24 | - | - | 24 | 24 |
| Subtotal | 83 | 9 | 136 | 219 | 203 |
| Real property: | | | | | |
| Rustic land | 113 | - | - | 113 | 113 |
| Urban land | 217 | - | - | 217 | 229 |
| Condominiums | 4 | - | - | 4 | 4 |
| Industrial plants | 282 | - | - | 282 | 345 |
| Commercial establishments | 124 | - | - | 124 | 124 |
| Other | 19 | - | - | 19 | 19 |
| Subtotal | 759 | - | - | 759 | 834 |
| Goods committed for sale: | | | | | |
| Real property | 69 | - | - | 69 | 28 |
| Personal property | 1 | - | - | 1 | 1 |
| Subtotal | 70 | - | - | 70 | 29 |
| | 912 | 9 | 136 | 1,048 | 1,066 |
| Less: set up reserves | 894 | 9 | 136 | 1,030 | 1,066 |
| Total | $ 18 | $ - | $ - | $ 18 [1] | $ - |

[1] Relates to the balance of goods committed for sale worth $70 and reserves of $52.

b. Allowance for foreclosed assets

The amount of the allowance of foreclosed assets or goods received as payment in kind at December 31, 2014 and 2013 was as follows:

| | 2014 | 2013 |
|---|---|---|
| Real property | $ 759 | $ 834 |
| Securities | 162 | 146 |
| Personal property | 33 | 33 |
| Collection rights | 24 | 24 |
| Goods committed for sale | 52 | 29 |
| Total reserve | $1,030 | $1,066 |

The charge to income for this item was $82 and $104 at December 31, 2014 and 2013, respectively.

## Note 12 - Property, furniture and equipment:

At December 31, 2014 and 2013, this caption is comprised as follows:

| | Useful life | 2014 | 2013 |
|---|---|---|---|
| Building | 20 years | $ 476 | $ 422 |
| Furniture and equipment | 10 years | 758 | 735 |
| Computer equipment | 3.3 years | 361 | 365 |
| Transportation equipment | 4 years | 13 | 13 |
| | | 1,608 | 1,535 |
| Less: accumulated depreciation | | (1,349) | (1,256) |
| | | 259 | 279 |
| Constructions in progress | | 1 | - |
| Land | | 82 | 86 |
| | | $ 342 | $ 365 |
| Installation expenses | | $ 110 | $ 121 |
| Accumulated amortization | | 107 | 113 |
| | | 3 | 8 |
| Total | | $ 345 | $ 373 |

The charge to income for depreciation and amortization in 2014 and 2013 was $10 and $12, respectively.

## Note 13 - Permanent investments:

a. The main companies for which the equity method was used, and the Entity's shareholding in those companies, at December 31, 2014 and 2013, are as follows:

| | Shareholding % | | |
|---|---|---|---|
| Company | 2014 | 2013 | Activity |
| Cesce México, S. A. de C. V. (CESCEMEX) | 48.99 | 48.99 | Insurance |
| Corporación Mexicana de Inversiones de Capital, S. A. de C. V. (CMIC) | 7.25 | 9.05 | Investment fund |

b. The amounts used to recognize the equity method at December 31, 2014 and 2013 are shown below:

| Company | Capital stock | Prior years' income | (Loss) income for the period | 2014<br>Total | 2013<br>Total |
|---|---|---|---|---|---|
| CESCEMEX | $ 93 | $12 | ($ 2) | $ 103 | $ 108 |
| CMIC | 288 | 49 | 7 | 344 | 338 |
| Other | | | | 30 | 33 |
| Total | | | | $ 477 | $ 479 |

c. At December 31, 2014 and 2013, the assets, liabilities and main captions of the statement of income of associated companies are as follows:

| | 2014 | | | |
|---|---|---|---|---|
| | Total | | | |
| | Assets | Liabilities | Income | Expenses |
| CESCEMEX | $ 329 | $ 119 | $ 9 | $ 11 |
| CMIC | 4,875 | 122 | 410 | 316 |

| | 2013 | | | |
|---|---|---|---|---|
| | Total | | | |
| | Assets | Liabilities | Income | Expenses |
| CESCEMEX | $ 322 | $ 102 | $ 25 | $ 32 |
| CMIC | 4,005 | 145 | 349 | 257 |

d. Investments in shares of associated companies located in Mexico in which there is no control or significant influence are shown valued by the acquisition cost method. The acquisition cost of other permanent investments in shares totals $3 in 2014 and $3 in 2013.

**Note 14 - Time deposits:**

Time deposits at December 31, 2014 and 2013 are made up as follows:

| | 2014 | 2013 |
|---|---|---|
| Fixed-time deposits MXP | $ 55 | $ - |
| Promissory notes interest payable at maturity | 61,795 | 44,372 |
| Deposits for Special Savings loan | 829 | 762 |
| Fixed-time deposits F.C. | 11,757 | 9,733 |
| Valuation of hedging swaps, net | 1 | (2) |
| Total | $74,437 | $54,865 |

Following are the features of promissory notes payable at maturity for 2014 and 2013:

| Issue | Term | Average rate | Initial amount | Accrued interest | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Promissory notes | 1 to 29 days | 3.58% | $48,844 | $ 25 | $48,869 | $37,392 |
| Promissory note | 30 to 179 days | 3.57% | 5,807 | 29 | 5,836 | 3,216 |
| Promissory note | 180 to 365 days | 4.04% | 7,030 | 60 | 7,090 | 3,764 |
| | | | $61,681 | $ 114 | $61,795 | $44,372 |

Long-time deposits payable to related parties in 2014 amounted to 105.5 and interest paid in that year totaled 3.6.

Following are the features of fixed-time deposits in F.C. for 2014 and 2013:

| Term | Rate | Initial amount | Accrued interest | 2014 | 2013 |
|---|---|---|---|---|---|
| 1 to 29 days | From 0 to 0.30% | $ 8,570 | $ - | $ 8,570 | $7,429 |
| 30 to 179 days | From 0.20 to 0.45% | 102 | - | 102 | - |
| 180 to 360 days | From 0.40 to 0.85% | 1,663 | 6 | 1,669 | 699 |
| More than 360 | From 0.50 to 1.05% | 1,409 | 7 | 1,416 | 1,605 |
| | | $ 11,744 | $ 13 | $11,757 | $9,733 |

## Note 15 - Debt instrument issued:

At December 31, 2014 and 2013, this caption is comprised as follows:

| | 2014 | 2013 |
|---|---|---|
| Debt instruments | $21,645 | $18,135 |
| Valuation of hedging swaps, net | (25) | (414) |
| | $21,620 | $17,721 |

The features of debt instruments are as follows:

| | | | | 2014 | |
|---|---|---|---|---|---|
| Rate | Term days | Maturity | Amount | Interest | Total |
| 3.50% to 8.0% | 1,456 | 20/03/15 | $ 5,000 | $ 2 | $ 5,002 |
| 8.15% to 8.60% | 3,640 | 04/12/15 | 1,500 | 9 | 1,509 |
| 3.60% to 4.80% | 1,455 | 23/03/16 | 5,000 | 12 | 5,012 |
| 4.70% to 5.90% | 3,640 | 04/07/22 | 1,500 | 41 | 1,541 |
| 4.70% to 5.90% | 3,640 | 11/11/22 | 2,000 | 13 | 2,013 |
| 4.70% to 5.90% | 3,640 | 17/02/23 | 3,000 | 58 | 3,058 |
| 4.70% to 5.90% | 3,640 | 03/12/24 | 3,500 | 10 | 3,510 |
| | | | $21,500 | $ 145 | $21,645 |

| | | | 2013 | | |
|---|---|---|---|---|---|
| Rate | Term days | Maturity | Amount | Interest | Total |
| 3.50% to 8.00% | 1,456 | 20/03/15 | $ 5,000 | $ 2 | $ 5,002 |
| 8.15% to 8.60% | 3,640 | 04/12/15 | 1,500 | 9 | 1,509 |
| 3.60% to 4.80% | 1,455 | 23/03/16 | 5,000 | 13 | 5,013 |
| 4.70% to 5.90% | 3,640 | 04/07/22 | 1,500 | 40 | 1,540 |
| 4.70% to 5.90% | 3,640 | 11/11/22 | 2,000 | 13 | 2,013 |
| 4.70% to 5.90% | 3,640 | 17/02/23 | 3,000 | 58 | 3,058 |
| | | | $18,000 | $ 135 | $18,135 |

### Note 16 - Interbank loans and loans from other entities:

The balances of interbank loans and loans from other entities at December 31, 2014 and 2013 are made up as follows:

| | 2014 | 2013 |
|---|---|---|
| Commercial credit lines | $35,097 | $27,858 |
| Guaranteed credit lines | 1,866 | 1,265 |
| Federal Government loans | 1,400 | 1,333 |
| Implementing agent | 1,359 | 1,214 |
| Official bodies | 887 | - |
| Development banking | 494 | 581 |
| Call money operations | 463 | 2,119 |
| Interest provisions | 41 | 49 |
| | $41,607 | $34,419 |

At December 31, 2014, this caption is comprised as follows:

a. Commercial credit lines

| Counterparty | Currency | Rate | Source currency millions | Mexican pesos |
|---|---|---|---|---|
| Foreign banks | USD | 0.5491 to 1.0326% | 2,381 | $ 35,097 |

b. Guaranteed credit lines

| Counterparty | Currency | Rate | Source currency millions | Mexican pesos |
|---|---|---|---|---|
| Foreign banks | USD | 0.7021 to 1.3399% | 126 | $1,859 |
| Foreign banks | EURO | 2% | 1 | 7 |
| | | | | $1,866 |

c. Federal Government loans

| Counterparty | Currency | Rate | Source currency millions | Mexican pesos |
|---|---|---|---|---|
| Domestic banks | MXP | 2.76% | 57 | $ 57 |
| Domestic banks | USD | 0.155 to 6.00% | 91 | 1,343 |
| | | | | $ 1,400 |

d. Executing officer.

| Counterparty | Currency | Rate | Source currency millions | Mexican pesos |
|---|---|---|---|---|
| International bodies and foreign banks | USD | 0.78 to 0.97% | 92 | $ 1,359 |

e. Official bodies.

| Counterparty | Currency | Rate | Source currency millions | Mexican pesos |
|---|---|---|---|---|
| International bodies | USD | 0.7531 to 0.7664% | 60 | $ 887 |

f. Development banking

| Counterparty | Currency | Rate | Source currency millions | Mexican pesos |
|---|---|---|---|---|
| Domestic banks | USD | 0.03 to1.59615% | 34 | $ 494 |

g. Call Money

| Counterparty | Currency | Rate | Source currency millions | Mexican pesos |
|---|---|---|---|---|
| Domestic banks | USD | 0.15 to 0.20% | 31 | $ 463 |

At December 31, 2013, this caption is comprised as follows:

a. Commercial credit lines

| | Type of currency | Rate | Mexican pesos |
|---|---|---|---|
| Foreign bank | USD | 0.82% | $27,858 |

b. Guaranteed credit lines

| | Currency | Rate | Mexican pesos |
|---|---|---|---|
| Foreign banks | USD | 0.9554% to 1.3534% | $1,256 |
| Foreign banks | Euro | 2.00% | 9 |
| | | | $1,265 |

c. Federal Government loans

| Counterparty | Currency | Source currency millions | Rate | Mexican pesos |
|---|---|---|---|---|
| Domestic banks | MXP | 55 | 3.40% | $ 55 |
| Domestic banks | USD | 98 | 0.16875 to 6.00 % | 1,278 |
| | | | | $1,333 |

d. Executing officer.

| Currency | Average rate | Source currency millions | Mexican pesos |
|---|---|---|---|
| USD | 0.90% | 93 | $ 1,214 |

e. Development banking

| Counterparty | Currency | Rate | Starting date | Maturity date | Mexican pesos |
|---|---|---|---|---|---|
| Domestic banks | USD | 0.03% to 1.6524% | 30/06/2011 | 15/05/2025 | $ 581 |

f. Call Money

| Counterparty | Currency | Source currency millions | Rate | Mexican pesos |
|---|---|---|---|---|
| Domestic banks | USD | 162 | 0.4720% | $2,119 |

Those loans are contracted with domestic and foreign credit institutions without there being significant concentration on any of them.

**Note 17 - Income Tax, Flat Tax (2013) and Employees' Statutory Profit Sharing payable and deferred:**

a. IT

New Income Tax (IT) Law

In October 2013, Congress approved issuance of a new Law on Income Tax (new ITL) which came into force on January 1, 2014, repealing the Income Tax Law issued on January 1, 2002 (previous ITL). The new ITL captures the essence of the previous ITL; however, it makes significant changes among which we can highlight the following:

i. It limits deduction of contributions to pension funds and exempt salaries, car leases, restaurant bills and social security dues. It also eliminates the immediate deduction of fixed assets.

ii. It modifies the procedure to determine the taxable base for Employees' Statutory Profit Sharing (ESPS), it establishes the procedure to determine the opening balance of the Capital Contributions Account (CUCA) and the After-tax Earnings Account (CUFIN) and it establishes the new procedure for recovering Asset Tax (AT).

iii. It establishes the 30% IT rate for 2014 and subsequent years, as opposed to the previous IT Law that established the 30%, 29% and 28% rates for 2013, 2014 and 2015, respectively.

The Company has reviewed and adjusted the deferred tax balance at December 31, 2013, considering the application of these new provisions in determining the temporary differences, the impact of which is described in the reconciliation of the effective tax rate presented below. However, the effects of the restriction on deductions and other previously mentioned effects will be applied as from 2014 and will affect principally the tax incurred as from that period.

The Entity determined a tax result of $1,883 in 2014 and of $243 in 2013, which is below the amount determined for IETU purposes in 2013. The tax result differs from the book result mainly due to items that accrue over time and are deducted differently for book and tax purposes, to recognition of the effects of inflation for tax purposes and to items affecting only the book or tax result.

Any unamortized tax losses may be offset against tax profits. If the latter is greater than the tax losses, the difference will be an IT base tax result.

In 2014, the Company has no unamortized tax losses. At December 31, 2013, the Entity offset unamortized tax losses totaling $1,092, as shown below:

| Source year | Amount | Expiration year |
|---|---|---|
| 2006 | $ 613 | 2016 |
| 2010 | 479 | 2020 |
| | $ 1,092 | 2020 |

In 2008, the Entity paid $483 of IT in Chile on the sale of shares and the assignment of a loan in that country, which tax was recorded in income for 2008. The Entity may offset that amount against IT payable in the next ten years, restated from the date of payment to the date it is credited, for which purpose the amount of the tax has been recorded in memorandum accounts.

The Entity and each of its subsidiaries determined their tax bases and taxes payable. Following are the separate results of each entity, since they do not consolidate for tax purposes.

The figures shown in 2014 are prior to the annual tax return.

| | 2014 | 2013 |
|---|---|---|
| Deferred IT | $ 128 | $ 25 |
| Cancellation of deferred flat tax | - | (122) |
| Total deferred taxes in the statement of income | $ 128 | ($ 97) |

At December 31, 2014 and 2013, the main temporary differences on which deferred income tax is recorded are as follows:

| | 2014 | 2013 |
|---|---|---|
| Liabilities and provisions | $ 203 | ($ 69) |
| Allowance for other debts and foreclosed assets | 141 | 141 |
| Advance collections and investments, repurchases and DFIs | 204 | 36 |
| Accounts receivable from commissions | (10) | (9) |
| Prepayments | (9) | (8) |
| Real property, machinery and equipment | (9) | (30) |
| Other temporary items | - | 24 |
| | 520 | 85 |
| Applicable IT rate | 30% | 30% |
| Deferred IT | $ 156 | $ 25 |

b. Flat tax (IETU)

On December 11, 2013, Congress repealed the Flat Tax Law published on October 1, 2007. Therefore as of the enactment of the Decree, all general administrative resolutions and provisions and the rulings on consultations, interpretations, authorizations or permits issued to private parties with regard to the flat tax became null and void.

As a result of the foregoing change the Entity is subject to payment of IT as of January 1, 2014 and consequently in 2013 it canceled deferred IETU of $122 with a credit to income for the year.

In 2013, the Entity determined a profit for IETU purposes of $1,385.

In 2013, the Entity was subject to payment of the higher of IT and IETU. In that year it incurred IETU of $115 above IT of $73. IETU incurred by its subsidiary in that year amounted to $3.

As a result of the removal of the IETU for 2014, the Entity reviewed and adjusted the deferred tax balance at December 31, 2013 taking into consideration temporary differences when applying the new provisions of the Law. The related effects are described in the reconciliation of the effective rate shown below.

Following is the reconciliation between the rate incurred and the effective income tax rate for 2014:

| | 2014 |
|---|---|
| Historic income before income taxes | $ 1,775 |
| Income taxes | 437 |
| Net income | 1,338 |
| Plus (less) effect on income tax of the following items: | |
| Non-book tax income | $ 427 |
| Non-tax book deductions | 1,682 |
| Non-book tax deductions | (600) |
| Non-tax book income | 787 |
| | 2,060 |
| Decrease in ESPS paid in the period | (178) |
| Tax base | 1,882 |
| Legal rate | 30% |
| Payable tax | 565 |
| Deferred tax | (128) |
| IT recorded in income | $ 437 |
| Effective IT rate | 24.6% |

Following is the reconciliation between the incurred and effective flat tax rates for 2013:

| | 2013 |
|---|---|
| Historic income before income taxes | $ 1,322 |
| Income taxes | 212 |
| Net income | 1,110 |
| Plus (less) effect on flat tax of the following items: | |
| Non-book tax income | $ 340 |
| Non-tax book deductions | 1,313 |
| Non-book tax deductions | (620) |
| Non-tax book income | (758) |
| Tax base | 1,385 |
| Rate | 17.5% |
| Tax | 242 |
| Tax credits | (127) |
| Payable tax | 115 |
| Deferred tax | - |
| Cancellation of deferred tax | 122 |
| IT/IETU recorded in income | $ 237 |
| Effective IT rate | 17.5% |

For subsidiary DIESA, the above captions and their related balances in 2013 were as follows:

| | 2013 |
|---|---|
| Book income for IETU purposes | $ 50 |
| Authorized book deductions | 31 |
| Taxable base (credit base) | 19 |
| Tax rate | 17.5% |
| Tax payable | $ 3 |

The figures shown in 2014 are prior to the annual tax return.

c. ESPS

The Entity is required to pay ESPS, which is calculated applying the procedures established in the IT Law. In 2014, the Entity determined ESPS payable of $205 and $181 in 2013. The procedure to calculate the ESPS tax base is determined on the basis of the provisions of article 9 of the IT Law, which considers the tax base to be the tax profit for IT purposes, without subtracting the ESPS paid or the unamortized tax losses, and subtracting the amount of non-deductible exempt salaries and the historic tax depreciation that would have been determined had the immediate deduction not been applied to fixed assets in years prior to 2014. Until December 31, 2013, ESPS was calculated in accordance with the procedure established in article 16 of the IT Law. The ESPS tax base differs from the book result mainly because for book purposes, the Entity recognizes the restated depreciation and amortization, the reserves set up for different risks to which the Entity is exposed, the changes arising from financial margins and the derivative financial operations, while for ESPS purposes it recognizes the deductible annual adjustment for inflation, the deduction of investments and the cash dividends, due to timing differences in which certain items accrue or are deducted for ESPS purposes, and due to items that only affect the book or ESPS result for the year.

The ESPS provisions for 2014 and 2013 are analyzed below and have been recorded under Administration and Promotion Expenses:

| | 2014 | 2013 |
|---|---|---|
| ESPS payable | $ 205 | $ 181 |
| Deferred ESPS | (58) | (7) |
| Total | $ 147 | $ 188 |

Following are the main temporary differences on which deferred ESPS is recognized:

| | 2014 | 2013 |
|---|---|---|
| Liabilities and provisions | $ 203 | ($250) |
| Allowance for foreclosed debts | 141 | 141 |
| Advance collections and investments, repurchases and DFIs | 204 | 36 |
| Accounts receivable from commissions | (10) | (9) |
| Fixed assets | (9) | (30) |
| Prepayments | (9) | (8) |
| Other temporary items | - | 24 |
| Base | 520 | (96) |
| Applicable ESPS rate | 10% | 10% |
| Deferred ESPS asset (liability) | $ 52 | ($ 9.6) |

Incurred and deferred ESPS is shown under administration and promotion expenses in the statement of income.

At December 31, 2014, DIESA had incurred tax losses that can be offset against tax profits to be accrued. The amounts restated in accordance with the current provisions are:

| Year in which loss is incurred | Tax loss | AT | Expiration date |
|---|---|---|---|
| 2004 | | 10 | 2014 |
| 2005 | - | 10 | 2015 |
| 2006 | - | 10 | 2016 |
| 2007 | - | 7 | 2017 |
| 2008 | 5 | - | 2018 |
| 2010 | 2 | - | 2020 |
| 2011 | 4 | - | 2021 |

Until 2014, DIESA had not recorded the effects of applying deferred taxes in accordance with NIF D-3, D-4 and INIF 8 because the probability of obtaining future tax bases and tax profits against which to amortize the tax losses and credits is small.

**Note 18 - Sundry creditors and other accounts payable:**

At December 31, 2014 and 2013, this caption is comprised as follows:

| | 2014 | 2013 |
|---|---|---|
| Liabilities arising from bank services rendered | $ 667 | $ 634 |
| Provisions for exposure to legal and operating risk | 527 | 360 |
| Provisions for sundry obligations | 93 | 101 |
| Other sundry creditors | 107 | 162 |
| Total | $1,394 | $1,257 |

Following is an analysis of the movements in the provisions for exposure to legal and operating risk:

| | 2014 | 2013 |
|---|---|---|
| Balances at beginning of year | $ 360 | $ 286 |
| Increases | 151 | 73 |
| Cancellations | (18) | (1) |
| Applications | (8) | (2) |
| Exchange effect | 42 | 4 |
| Ending balances | $ 527 | $ 360 |

**Note 19 - Employee benefits:**

a. Defined benefit pension plans

The Entity has a defined benefit pension plan that covers all employees who meet the requirements established in the general work conditions, which consists of giving them a pension calculated on the basis of the average salary earned in the last year of services, plus a Christmas bonus and vacation premium, to which a percentage based on age and years of service is applied.

The plan also covers seniority premiums, which consist of a sole payment equivalent to 12 salary days per year worked based on the most recent salary (which is limited to twice the minimum bank salary in effect at the date of retirement), as well as payment of other retirement benefits, including medical expenses, medicines, hospital fees, sports.

The "Special savings loan" (PEA) Program consists of a loan offered by the Entity to its retired and active personnel that can only be used as an investment (time deposit) in the Entity, thus guaranteeing a minimum yield with a difference payable by the Entity against the funding rate. As of 2008, the Entity recognized a liability for this item and in 2009 it set up a fund to cover those obligations.

The respective liability and the annual cost of post retirement benefits are calculated by an independent actuary using the bases of the plans, the Provisions of the CNBV and NIF D-3 of the CINIF.

In 2014 and 2013, the investment of the funds covers the reserves for labor obligations, with an excess of $2 and $250 in the Defined Benefit Pension Fund, respectively. Said excess was used in 2014 and 2013 to cover the contribution as follows: in 2014, $248 was used and $89 was contributed; of the $375 excess at December 31, 2012, $125 was used in 2013 without having to make a contribution to the fund. In 2014 and 2013, $65 and $56 were contributed to the PEA fund, respectively.

b. Defined contribution pension plan

As of January 1, 2007, the Entity modified the general labor conditions based on the trends and best practices for managing and operating retirement and pension schemes, in order to incorporate the new employees and the employees who decided to migrate from the Defined Benefit System to the Defined Contribution System. This arrangement makes it possible to keep better control over plan costs and liabilities, maintain a proper cost-benefit ratio for the Entity and its employees, and establish clear contribution or retirement rules. At December 31, 2014 and 2013, the Defined Contribution Trust totals $213.9 and $202.7, respectively.

At December 31, 2014, the Entity has the following balances resulting from the actuarial valuation performed by an independent expert:

| | 2014 | | | |
|---|---|---|---|---|
| | Retirement pensions | Seniority premiums | Retirement benefits other than pensions | PEA and financial cost of loans |
| Obligation for acquired benefits | $ 6,842 | $ - | $ 4,111 | $ 2,351 |
| Obligation for defined benefits | (8,172) | (16) | (4,926) | (3,100) |
| Plan assets | 7,038 | 16 | 4,048 | 2,729 |
| Situation of the fund | (1,134) | - | (878) | (371) |
| Past services for plan changes | - | - | (4) | - |
| Actuarial loss (differences in assumptions) | 1,134 | 2 | 882 | 371 |
| Projected net assets | $ - | $ 2 | $ - | $ - |
| Net cost for the period: | | | | |
| Labor cost | $ 64 | $ 1 | $ 40 | $ 30 |
| Financial cost | 523 | 1 | 292 | 191 |
| Expected yields | (466) | (2) | (264) | (176) |
| Annual amortization | 41 | 1 | 6 | - |
| Effect of early retirement | 72 | - | 28 | 20 |
| | $ 234 | $ 1 | $ 102 | $ 65 |
| Contributions to the fund | $ 61 | $ - | $ 28 | $ 65 |
| Payments | 446 | 1 | 179 | 128 |
| Past services for plan changes | N/A | N/A | 4.57 years | N/A |
| Actuarial loss (differences in assumptions) | 7.09 years | 9.80 years | 11.45 years | 7.09 years |
| Actuarial assumptions: | | | | |
| Estimated discount rate | 7.00% | 7.00% | 7.00% | 7.00% |
| Expected salary increase rate | 4.00% | 4.00% | 4.00% | 4.00% |
| Rate of increase in medical expenses | N/A | N/A | 6.00% | N/A |
| Estimated yield rate | 7.00% | 7.00% | 7.00% | 7.00% |
| Effect of increasing by one point the rate of cost of other benefits, considering the other unchanged assumptions, in: | | | | |
| Total labor cost and financial cost | | | $ 447 | |
| Accumulated obligation | | | 5,654 | |
| Effect of decreasing by one point the rate of cost of other benefits, considering the other unchanged assumptions, in: | | | | |
| Total labor cost and financial cost | | | $ 347 | |
| Accumulated obligation | | | 4,530 | |

At December 31, 2013, the Entity has the following balances resulting from the actuarial valuation performed by an independent expert:

| | 2013 | | | |
|---|---|---|---|---|
| | Retirement pensions | Seniority premiums | Retirement benefits other than pensions | PEA and financial cost of loans |
| Obligation for acquired benefits | $ 6,420 | $ - | $ 3,536 | $ 2,214 |
| Obligation for defined benefits | (7,700) | (16) | (4,263) | (2,810) |
| Plan assets | 6,795 | 25 | 3,825 | 2,572 |
| Situation of the fund | (905) | 9 | (438) | (238) |
| Past services for plan changes | - | - | (5) | - |
| Actuarial loss (differences in assumptions) | 1,079 | 3 | 507 | 238 |
| Projected net assets | $ 174 | $ 12 | $ 64 | $ - |
| Net cost for the period: | | | | |
| Labor cost | $ 63 | $ 1 | $ 37 | $ 29 |
| Financial cost | 513 | 1 | 271 | 198 |
| Expected yields | (500) | (2) | (278) | (181) |
| Annual amortization | - | 1 | (1) | - |
| Effect of early retirement | 13 | - | 6 | 10 |
| | $ 89 | $ 1 | $ 35 | $ 56 |
| Contributions to the fund | $ - | $ - | $ - | $ 56 |
| Payments | 432 | 1 | 173 | 126 |
| Past services for plan changes | N/A | 1 year | 5.57 years | N/A |
| Actuarial loss (differences in assumptions) | 7.57 years | 9.65 years | 11.19 years | 7.57 years |
| Actuarial assumptions: | | | | |
| Estimated discount rate | 7.00% | 7.00% | 7.00% | 7.00% |
| Expected salary increase rate | 4.00% | 4.00% | 4.00% | 4.00% |
| Rate of increase in medical expenses | N/A | N/A | 6.00% | N/A |
| Estimated yield rate | 7.00% | 7.00% | 7.00% | 7.00% |
| Effect of increasing by one point the rate of cost of other benefits, considering the other unchanged assumptions, in: | | | | |
| Total labor cost and financial cost | | | $ 389 | |
| Accumulated obligation | | | 4,913 | |
| Effect of decreasing by one point the rate of cost of other benefits, considering the other unchanged assumptions, in: | | | | |
| Total labor cost and financial cost | | | $ 215 | |
| Accumulated obligation | | | 3,739 | |

**Note 20 – Stockholders' equity:**

a. The capital stock at December 31, 2014 and 2013 is comprised as follow:

2014

| | Number of CAP's | Nominal value | Restatement effects | Total |
|---|---|---|---|---|
| Subscribed: | | | | |
| Series A | 92,460,098 | $ 9,246 | $ 627 | $ 9,873 |
| Series B | 47,630,960 | 4,763 | 323 | 5,086 |
| Subtotal | 140,091,058 | 14,009 | 950 | 14,959 |
| Contributions for future capital increases formalized by the Entity's governance body | | 5,350 | - | 5,350 |
| Paid stock premium | | 71 | 10 | 81 |
| Capital reserve | | (547) | 688 | 141 |
| Prior years' income (loss) | | (3,206) | (1,134) | (4,340) |
| Result for valuation of securities available for sale | | (5) | - | (5) |
| Result from holding non-monetary assets | | | (25) | (25) |
| Net income | | 1,339 | (24) | 1,315 |
| Total | 140,091,058 | $17,011 | $ 465 | $17,476 |

2013

| | Number of CAP's | Nominal value | Restatement effects | Total |
|---|---|---|---|---|
| Subscribed: | | | | |
| Series A | 92,460,098 | $ 9,246 | $ 627 | $ 9,873 |
| Series B | 47,630,960 | 4,763 | 323 | 5,086 |
| Subtotal | 140,091,058 | 14,009 | 950 | 14,959 |
| Contributions for future capital increases formalized by the Entity's governance body | | 3,550 | - | 3,550 |
| Paid stock premium | | 71 | 10 | 81 |
| Capital reserve | | (547) | 688 | 141 |
| Prior years' income (loss) | | (4,302) | (1,126) | (5,428) |
| Result for valuation of securities available for sale | | 22 | - | 22 |
| Result from holding non-monetary assets | | - | (25) | (25) |
| Net income | | 1,110 | (8) | 1,102 |
| Total | 140,091,058 | $13,913 | $ 489 | $14,402 |

b. The capital stock is comprised of nominative CAP's, with no coupons, divided into the following series:

Series "A" comprising at all times 66% of the Entity's capital stock; it may only be subscribed by the Federal Government; a sole bond will be issued, which will be non-transferable and in no case may its nature or the rights that it confers to the Federal Government be changed.

Series "B" comprises 34% of the capital stock and it may be issued in one or several bonds of equal value. They may be subscribed by the Federal Government, the Governments of the different States and Municipalities or by Mexican individuals or business entities of the social and private sectors, preference given to parties associated to foreign trade activities. No individual or business entity may take control of the bonds for more than 5% of the capital paid to the Entity. In no case may foreign individuals or business entities hold interest in the capital stock, nor Mexican companies whose bylaws do not include a clause for direct and indirect exclusion of foreigners.

The capital stock is represented by the Federal Government (99.9762%), Banco de México (0.0139%), Nacional Financiera, S.N.C. (0.0054%) and Banco Nacional de Obras y Servicios, S.N.C. (0.0045%).

c. The distribution or reduction of stockholders' equity, after subtracting the restated capital stock contributed and restated tax profits, would be subject to IT at the 30% rate payable by the Entity. At December 31, 2014 and 2013, the balances of the tax accounts related to stockholders' equity known as Capital Contributions Account (CUCA) and After-tax Earnings Account (CUFIN) are as follows:

| | 2014 | 2013 |
|---|---|---|
| CUCA | $ 45,050 | $ 43,284 |
| CUFIN | 4,081 | 6,017 |

Subsidiary DIESA has CUCA of$597 and $574, and CUFIN of $(306) and $0 in 2014 and 2013 respectively.

d. On October 30, 2014, the Board of Directors authorized the Entity's management to request the executive power, through the SHCP, a capital contribution of up to $2,000, which is required to support the growth in the volume of Business Banking (First Tier) and Development Banking (Second Tier) operations, and to maintain a prudential level of capitalization. The contribution received on December 1, 2014 was of $1,800.

In 2013, the Entity requested a capital contribution of up to $1,300 to be able to support the growth in volume of loan transactions and keep a prudential level of capitalization. The contribution received on December 26, 2013 was for a total of $1,150.

e. In accordance with the Credit Institutions Law, Development Banks must keep a minimum net capital of 8.0% in relation to their assets at risk. Additionally, they must keep a capital supplement equivalent to 2.5% of said assets.

The capitalization index at December 31, 2014 and 2013 is as follows:

| | 2014 | 2013 |
|---|---|---|
| Net capital | $ 17,239 | $13,901 |
| Basic | 17,239 | 13,901 |
| Assets at risk | 132,007 | 101,213 |
| Loans | 108,107 | 79,610 |
| Market | 17,741 | 16,606 |
| Operational | 6,159 | 4,998 |
| Capitalization index (%) | 13.06 | 13.73 |

At December 31, 2014 and 2013, the Entity meets the above requirement by maintaining a capitalization index of 13.06% and 13.73%, respectively. Said index was calculated based on the rules for determining capitalization requirements published by the SHCP in the Official Gazette of December 28, 2005, with its respective amendments.

The capitalization index is reported monthly to the Comprehensive Risk Management Committee and to the Board of Directors, explaining the main differences in the captions that comprise it.

In December 2014, the CNBV issued a number of capitalization amendments based on the results of the self-evaluations performed by the CNBV and Banxico, considering the comments of the reviewing group of the Regulatory Consistency Evaluation Program designed to carry out the respective evaluation in Mexico, which was established by the Basel Committee for Bank Supervision. Those amendments come into force on January 1, 2015 and subsequent dates, as established in the provisions.

## Note 21 - Statement of income:

a. Financial margin

Interest income and expenses at December 31, 2014 and 2013 are comprised as follows:

| | 2014 | | |
|---|---|---|---|
| | Mexican pesos | Foreign currency (restated to Mexican pesos) | Total |
| Loan portfolio income | $2,257 | $2,276 | $4,533 |
| Interest from investments in securities | 4,798 | 92 | 4,890 |
| Interest from cash and cash equivalents | 89 | 30 | 119 |
| Income from margin accounts | 27 | - | 27 |
| | $7,171 | $2,398 | $9,569 |

| | | 2014 | |
|---|---|---|---|
| | Mexican pesos | Foreign currency (restated to Mexican pesos) | Total |
| Expenses for repurchase operations | $3,995 | $ - | $3,995 |
| Interest from time deposits | 1,748 | 38 | 1,786 |
| Interest from bonds | 875 | - | 875 |
| Interest from interbank loans and loans from other entities | 9 | 283 | 292 |
| Result of valuation of DFIs | (420) | - | (420) |
| Other items | - | 22 | 22 |
| | $6,207 | $ 343 | $6,550 |
| Financial margin | $ 964 | $2,055 | $3,019 |

| | | 2013 | |
|---|---|---|---|
| | Mexican pesos | Foreign currency (restated to Mexican pesos) | Total |
| Loan portfolio income | $2,238 | $1,732 | $3,970 |
| Interest from investments in securities | 5,065 | 90 | 5,155 |
| Interest from cash and cash equivalents | 104 | 37 | 141 |
| Income from margin accounts | 11 | - | 11 |
| | $7,418 | $1,859 | $9,277 |
| Expenses for repurchase operations | $4,395 | $ - | $4,395 |
| Expenses for hedging operations | - | 5 | 5 |
| Interest from time deposits | 1,498 | 37 | 1,535 |
| Interest from bonds | 918 | - | 918 |
| Interest from interbank loans and loans from other entities | 11 | 267 | 278 |
| Result of valuation of DFIs | (499) | - | (499) |
| Other items | - | 55 | 55 |
| | $6,323 | $ 364 | $6,687 |
| Financial margin | $1,095 | $1,495 | $2,590 |

b. Commissions and fees charged

| | 2014 | 2013 |
|---|---|---|
| Loan operations | $262 | $258 |
| Collateral guarantees | 138 | 147 |
| Trusts | 39 | 40 |
| Letters of credit | 17 | 10 |
| Appraisals | 7 | 11 |
| Other commissions and fees charged | 1 | 2 |
| | $464 | $468 |

Total operating income

c. Intermediation income (loss)

| | 2014 | 2013 |
|---|---|---|
| Result for valuation of bonds and metals | ($ 16) | $ 10 |
| Income from the sale of securities | 293 | 274 |
| Income from purchase of currencies | 2 | 3 |
| Total | $ 279 | $287 |

Operating income (loss)

d. Other operating income (expenses)

| | 2014 | 2013 |
|---|---|---|
| Amounts recovered | $ 322 | $ 552 |
| Cancellation of allowance for foreclosed assets | 115 | 18 |
| Interest charged on loans made to personnel | 86 | 85 |
| Profit on sale of property, furniture and equipment | 12 | - |
| Profit on sale of foreclosed assets | 3 | 2 |
| Write off for cancellation of foreclosed assets | (82) | (104) |
| Risk management allowance | (124) | (73) |
| Payment for public use taxes to the Federal Government* | (600) | (1,300) |
| Other items | (38) | 55 |
| Total | ($ 306) | ($ 765) |

* The Executive Power, through the SHCP, acting under the powers conferred to it by Article 10 of the Federal Income Law in effect, issued ruling 102-B-063 dated October 27, 2014 whereby it assessed secondary taxes, rights and dues of $600 to the Entity, with a charge to income before taxes, which payment was made on November 3, 2014. On December 3, 2013, the Entity paid secondary taxes, rights and dues in the amount of $1,300 to respond to ruling 102-B-145 issued by the SHCP on November 29, 2013.

**Note 22 - Guarantees granted:**

At December 31, 2014 and 2013, guarantees granted were as follows:

| Purpose | 2014 | 2013 |
|---|---|---|
| Partially guarantee payment of capital and/or interest for up to 35% of a debt instrument issue of no more than $2,500, over a seven year term, in order to improve the rating assigned to debt instruments issued by the sector. | $ 785 | $ 785 |
| Partially guarantee payment of capital and/or interest for up to 35% of a debt instrument issue of no more than $1,000, over a seven year term, in order to improve the rating assigned to debt instruments issued by the sector. | 300 | 300 |
| Partially guarantee payment of capital and/or interest for up to 33% of a debt instrument issue of no more than $2,200, over a 12 year term, in order to improve the rating assigned to debt instruments issued by the sector. | 549 | 549 |
| Partially guarantee up to 32% of payment of capital plus the first period of interest of two debt instrument issues totaling $1,400, over term of up to seven years, in order to improve the rating assigned by rating agencies to this type of debt instruments. | 277 | 523 |
| Partially guarantee up to 33% of payment of capital plus the first period of interest of a program of debt instrument totaling $2,500 MP, over term of no more than 10 years, in order to improve the rating assigned by rating agencies to this type of debt instruments. | 940 | 563 |
| Partially guarantee up to 36% of payment of capital plus the first period of interest of a program of debt instrument totaling $500 MP, over term of no more than seven years, in order to improve the rating assigned by rating agencies to this type of debt instruments. | 190 | - |
| Guarantees granted in Mexican pesos | $ 3,041 | $ 2,720 |

Recorded allowances set up for this purpose at December 31, 2014 and 2013 total $60 and $42, respectively.

**Note 23 - Contingent assets and liabilities:**

Contingent asset and liabilities include guarantees offered by the Entity, contingencies arising from commercial, labor, civil and administrative suits that according to Note 28 "Comprehensive risk management" are recorded depending on their status, contributions not yet made to investment funds, the amount of invoices discounted in financial factoring transactions and bonds and guarantee checks received from suppliers to guarantee compliance with work agreements. Balances at December 31, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Responsibilities for guarantees offered | $ 8,200 | $ 4,487 |
| Legal risk management | 758 | 2,380 |
| Responsibilities for future contributions | 58 | 51 |
| International factoring (Invoices) | 202 | 157 |
| Works and services | 8 | 26 |
| | $ 9,226 | $ 7,101 |

As a result of issue of a favorable ruling, in 2014 the Entity canceled the book entry for the sale of foreclosed assets worth 1,795.

**Note 24 - Goods in trust or mandate:**

At December 31, 2014 and 2013, the Entity's fiduciary division has the following trusts:

| | 2014 | 2013 |
|---|---|---|
| Guarantee trusts | $ 20,097 | $ 18,331 |
| Administration trusts | 27,073 | 26,320 |
| Investment trusts | 297 | 264 |
| Transfer of ownership trusts | 10,906 | 10,920 |
| | 58,373 | 55,835 |
| Mandates | 4,853 | 4,342 |
| Total | $ 63,226 | $ 60,177 |

Trust management income totaled $39 in 2014 and $40 in 2013.

Administration Trust balances include Pension Fund Trust balances, which at December 31, 2014 and 2013 are as follows: a) Defined Benefits $11,102 and $10,644 and b) Defined Contributions $214 and $203, and Special Savings Loans and Financial Cost of Loans of $2,729 and $2,572, respectively.

**Note 25 - Assets in custody or under administration:**

At December 31, 2014 and 2013, custody and administration operations are made up as follows:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | USD millions | Euros millions | Mexican pesos | USD millions | Euros millions | Mexican pesos |
| Operations carried out on behalf of third parties in repurchase operations | - | - | $ 1,282 | - | - | $ 1,871 |
| Operations carried out on behalf of third parties in direct operations | - | - | 4,108 | - | - | 3,029 |
| Other instruments under Administration* | 32,230 | 8 | 601,542 | 27,462 | 8 | 464,204 |
| Other securities under administration | 28 | - | 418 | 20 | - | 265 |
| Special savings loan | - | - | 827 | - | - | 760 |
| | 32,258 | 8 | $608,177 | 27,482 | 8 | $470,129 |

* Refers to book entries made for securities supporting the Entity's loan portfolio.

**Note 26 – Segment information:**

Following is a breakdown of the information on each of the main segments into which the Entity's operations are divided:

a. Assets and liabilities

| | Assets | | Liabilities and equity | | Income | | Expenses | |
|---|---|---|---|---|---|---|---|---|
| Business segment | Amount | Share % | Amount | Share % | Amount | Share % | Amount | Share %. |
| First Tier loans | $ 98,597 | 37.5 | $ 1,229 | 0.5 | $ 2,157 | 50.1 | ($ 928) | 31.0 |
| Second tier loans | 14,102 | 5.4 | 157 | 0.0 | 270 | 6.3 | (113) | 3.8 |
| Financial Markets and Fund attraction | 144,262 | 54.8 | 244,337 | 92.9 | 1,400 | 32.5 | (346) | 11.6 |
| Other areas | 6,155 | 2.3 | 17,393 | 6.6 | 481 | 11.1 | (1,606) | 53.6 |
| Total | $ 263,116 | 100.0 | $ 263,116 | 100.0 | $ 4,308 | 100.0 | ($ 2,993) | 100.0 |

b. Results by segment

| | First Tier | Second Tier | Financial markets and fund attraction | Other areas | Total |
|---|---|---|---|---|---|
| Income: | | | | | |
| Net financial income | $2,157 | $ 270 | $1,400 | $ 481 | $4,308 |
| Expenses: | | | | | |
| Operating expenses | (699) | (109) | (346) | (1,516) | (2,670) |
| Allowances for loan losses | (229) | (4) | - | (90) | (323) |
| Total | $1,229 | $ 157 | $1,054 | ($ 1,125) | $1,315 |

First tier loan operations refer to loans made directly to companies; second tier interbank loans channel resources through banking financial intermediaries and other non-bank intermediaries and financial markets, and fund attraction relates to obtaining the necessary funds to meet the Annual Financial Program authorized by the Department of Finance, cover the Entity's liquidity needs and assign transfer costs to the operating segments that require resources to carry out their operations.

c. Loan portfolio and fund attraction

The balance of loan placement units at December 31, 2014 is $145,621, of which $1,407 (1.0%) corresponds to public sector operations and $144,214 (99.0%) corresponds to private sector operations, of which $130,542 are for first tier loans and guarantees.

The resources used to grant loans are mainly attracted through loans from international lending institutions and from the issue of paper in Mexican pesos, which are included in a pool of resources to obtain interest that allow the Entity to offer competitive placement rates for its first tier and second tier loan operations.

At December 31, 2014, the balance of fund attraction from issue of promissory notes payable at maturity and debt instruments in Mexican pesos comprised 84.3% of the internal debt, while loans through commercial credit lines comprised 96.3% of the external debt.

Following is a breakdown at December 31, 2013 of the information on each of the main segments into which the Entity's operations are divided:

a. Assets and liabilities

| | Assets | | Liabilities and equity | | Income | | Expenses | |
|---|---|---|---|---|---|---|---|---|
| Business segment | Amount | Sharehol. %. | Amount | Sharehol. % | Amount | Sharehol. % | Amount | Sharehol%. |
| First Tier loans | $ 70,139 | 32.0 | $ 2,120 | 1.0 | $ 1,888 | 49.9 | $ 232 | (8.6) |
| Second tier loans | 11,021 | 5.0 | 87 | 0.0 | 175 | 4.6 | (88) | 3.3 |
| Financial Markets and Fund attraction | 133,296 | 60.9 | 203,769 | 93.0 | 1,168 | 30.9 | (256) | 9.5 |
| Other areas | 4,578 | 2.1 | 13,058 | 6.0 | 552 | 14.6 | (2,569) | 95.8 |
| Total | $ 219,034 | 100.0 | $ 219,034 | 100.0 | $ 3,783 | 100.0 | ($ 2,681) | 100.0 |

b. Results by segment

| | First Tier | Second Tier | Financial markets and fund attraction | Other areas | Total |
|---|---|---|---|---|---|
| Income: | | | | | |
| Net financial income | $1,888 | $ 175 | $1,168 | $ 552 | $3,783 |
| Expenses: | | | | | |
| Operating expenses | (505) | (58) | (256) | (2,025) | (2,844) |
| Allowances for loan losses | 737 | (30) | - | (544) | 163 |
| Total | $2,120 | $ 87 | $ 912 | ($ 2,017) | $1,102 |

First tier loan operations refer to loans made directly to companies; second tier bank loans channel resources through banking financial intermediaries and other non-bank intermediaries and financial markets, and fund attraction relates to obtaining the necessary funds to meet the Annual Financial Program authorized by the Department of Finance, cover the Entity's liquidity needs and assign transfer costs to the operating segments that require resources to carry out their operations.

c. Loan portfolio and fund attraction

The balance of loan placement units at December 31, 2013 is $102,615, of which $3,433 (3.3%) corresponds to public sector operations and $99,182 (96.7%) corresponds to private sector operations, of which $89,048 are for first tier loans and guarantees.

The resources used to grant loans are mainly attracted through loans from international lending institutions and from the issue of paper in Mexican pesos, which are included in a pool of resources to obtain interest that allow the Entity to offer competitive placement rates for its first tier and second tier loan operations.

At December 31, 2013, the balance of fund attraction from issue of promissory notes payable at maturity and debt instruments in Mexican pesos comprised 80.7% of the internal debt, while loans through commercial credit lines comprised 97.9% of the external debt.

**Note 27 - Contingencies:**

Financing granted to a trust of the aeronautical sector eliminated from assets in 2011 is still in the process of being recovered, since it was correctly secured and management does not expect to incur losses in this regard.

**Note 28 - Comprehensive risk management**

a. General policies

The Entity's Comprehensive Risk Management (AIR for its acronym in Spanish) policies and procedures are regulated mainly by Chapter IV of Title Two of the General Provisions applicable to Credit Institutions (Provisions) for CRM purposes published on December 2, 2005.

In accordance with the Provisions of the CNBV, the AIR function at the Entity is managed by an area independent from the business areas and it covers market, credit, liquidity, operating, technological and legal risks. The Entity has policies and procedures aimed at identifying, analyzing and controlling such risks, which are included in the AIR manual.

In order for risks assumed to remain within levels not exceeding the Entity's financial capacity, the CAIR sets out limits that are authorized by the Board of Directors and are determined based on an equity management model. Said model depends on the regulatory capital and it establishes strategic limits considering distributable capital that is assigned to the different Entity businesses: credit, market, operating and shareholding. Additionally, tactical limits are assigned to the different portfolios of each business. In the case of market risk, capital limits are translated to Value at Risk (VaR) limits for the different treasury portfolios.

The CAIR is made up of the Chief Executive Officer, three independent risk experts, one member of the Board of Directors and the Chief of the Comprehensive Risk Management Unit (UAIR for its acronym in Spanish); it also involves the participation of the different areas' Deputy CEOs, Area Directors and the Head of the Internal Control body, who can participate but not vote, in order to avoid possible conflicts of interest. The CAIR meets at least once a month. The Committee follows up on the different types of risks, issues recommendations and is in charge of approving methodologies, models, parameters and scenarios used to measure risks and of reviewing the proposed policies to control said risks.

b. Policies to control credit risk concentration

Chapter III of the Provisions on "Risk diversification" issued by the CNBV establishes limits for credit risk concentration applicable to a person or a group of persons that constitute common risks.

According to article 57 of the Provisions, the limits applicable to the Entity in the fourth quarter of 2014 were determined considering the 13.90% capitalization index and the core capital of $15,026.1 at June, 2014.

Article 54 of the Provisions establishes a financing limit for private sector companies that is based on the level of capitalization and applies a predetermined factor to the Entity's core capital. With the capitalization index above 12% and below 15%, the applicable factor for the fourth quarter of 2014 was 30% of the Entity's core capital ($4,507.8, equivalent to USD305.7 million at the $14.7414 peso/dollar exchange rate for December 31, 2014).

At December 31, 2014, financing offered to Private Sector companies individually or per economic group is below the regulatory limit of 30% of the core capital, and the responsibilities of the three main debtors taken as a whole total $8,160.8, which comprises 54.3% of their regulatory limit (equivalent to USD553.6 million at the 14.7414 exchange rate for December 31, 2014).

Financing offered to the three main debtors taken as a whole

| | Million USD | |
|---|---|---|
| | December 2014 | December 2013 |
| Amount of responsibilities | 553.60 | 560.71 |
| Number of times of the core capital | 0.54 | 0.60 |

It should be noted that on November 13, 2009, the CNBV authorized temporary financing limits for three debtor business groups individually and for the three main debtors as a whole, which regularized the surplus on the 2008 regulatory limits until the regularization plans submitted to the CNBV were met, in accordance with the applicable provisions. The established dates of those plans were April 30, 2011, February 28, 2014, June 30, 2017 and February 28, 2014, respectively.

At December 31, 2014, the amount of the responsibilities of those business groups and of the three main debtors as a whole was below their regulatory limits, thus complying with the regularization plans before the established dates, which matter was communicated to the CNBV on December 21, 2010, July 29, 2011 and April 7, 2014, and consequently the temporary limits were no longer applicable.

On the other hand, financing offered to Parastate Public Sector Entities and Organisms is below the regulatory limit of 100% of the core capital at December 31, 2014.

Lastly, in accordance with article 60 of the Provisions, responsibilities have been contracted by 121 economic groups of debtors (163 counterparties) whose individual financing exceeds the equivalent of 10% the Entity's core capital.

Financing of debtors exceeding 10% of the core capital

| | Million USD | |
|---|---|---|
| | December 2014 | December 2013 |
| Amount of responsibilities | 51,108.07 | 50,173.84 |
| Number of times of the core capital | 50.14 | 53.53 |

Financing at December 2014 includes credit lines authorized to counterparties of the private sector, public sector and domestic and foreign financial sectors for loan operations and other business transactions.

c. Market risk

Investments in securities - The risk associated to the investment in securities account of the financial statements arises from interest rate differences; in the case of foreign currency instruments it also depends on exchange rate fluctuations. This risk is measured by the VaR method based on the historical method using 251 data, a one-day risk horizon and a trust level of 97.5%, which means that there is only 2.5% probability of those investments depreciating below the amount expected for that period. Those parameters were authorized at the CAIR meeting of September 4, 2013.

The policies and procedures applied in order to control market risk of investments in securities include capital and VaR limits, as well as market value reports on positions and their risk value under regular conditions, under sensitivity scenarios and under extreme conditions. A report is prepared and submitted daily to Top Management, monthly to the CAIR and quarterly to the Board of Directors.

At December 31, 2014, the pesos money table securities position was in reviewable government bonds. At that date, the positions in said instruments comprised 74% and the repurchase position comprised 26% of the total; the VaR for said table was $6.2, which represented 9.2% of the $67 authorized limit. The average annual value at risk was $12.1. Capital consumption of said portfolio was $933.4, which represented 90.6% of the authorized limit.

At December 31, 2014, the pesos investment portfolio was made up of securities to be held to maturity in government bonds at real rates, in reviewable government bonds and in discount bank instruments. At that date, the position in instruments held to maturity made up for 4%, government bonds made up for 15% and bank instruments made up for 81%. At the December closing, VaR was $1.4 for the total position, which represented 23.6% of the $6 authorized limit. The average annual value at risk was $2.3. Capital consumption of said portfolio was $26.9, which represented 28.6% of the authorized limit.

At December 31, 2014, the foreign currency investment portfolio was made up of sovereign bonds. At the December closing, VaR was $4 for the total foreign currency investment position, which represented 19.2% of the $21 authorized limit. The average annual value at risk was $3.3. Capital consumption of said portfolio was $6.1, which represented 9.5% of the authorized limit.

DFI - The DFI account in the financial statements is subject to market risk arising from fluctuations in interest rates and exchange rates, as well as to counterparty credit risk.

The VaR of currency and interest rate forwards contracts, options and interest rate and currency swaps of the authorized DFIs is measured. The VaR is estimated based on the historical method using 251 data, a one-day risk horizon and a trust level of 97.5%, which means that there is only 2.5% probability of those investments depreciating below the amount expected for that period. Those parameters were authorized at the CAIR meeting of September 4, 2013.

As regards counterparty credit risk, all forwards, options and swaps are operated with highly rated domestic and international financial entities. Credit risk of forwards and options contracted by clients is covered by their credit lines with the Entity, as well as by control mechanisms that monitor positions to keep them within the authorized levels. At December 31, 2014, credit risk of derivatives transactions is within the authorized limits.

The policies and practices in place to control DFI risk adhere to the Banxico Provisions. There is a capital and VaR limit in place per line of business, and reports are generated on the market value of positions and their respective VaR under regular conditions, under sensitivity scenarios and under extreme conditions. A report is prepared and submitted daily to Top Management, monthly to the CAIR and quarterly to the Board of Directors.

At December 31, 2014, there are closed positions for DFI interest rate options, as well as a short position in currencies of USD 5 million, equivalent to $73.7. The DFI and exchange table position VaR was 0.5, which is equivalent to 3.6% of the authorized $15 limit. The annual VaR average of DIF and exchange table was $0.2. Capital consumption of said portfolio was $8.8, which represented 19.7% of the authorized limit.

At December 31, 2014, DFIs in a hedging position refer to interest rate and currency swaps, which are used as hedging of a part of the loan portfolio, debt securities, issue of pesos paper money and dollar attraction. The swaps VaR totaled $236.8, which serves as a reference, since those transactions are not linked to a VaR limit because they are for DFI hedging.

Credit risk

Credit risk in the financial statements is measured on items expected to arise from possible impairment of the loan portfolio, which is estimated based on the frequency of annual and quarterly rating migration (transition matrices). Said matrices are comprised of the likelihood of impairment or improvement of the loan portfolio, which is determined on the basis of historical information of Entity borrowers.

Therefore, in evaluating credit risk estimates are prepared of the likelihood of default, recovery rates, transition matrices, credit VaR, expected losses and unexpected losses.

A report is submitted monthly to the CAIR and quarterly to the Board of Directors on the Entity's credit position and operations, which, among others, contemplates an analysis of the taxonomy of the loan portfolio, the relevant information on portfolio differences, the global credit risk position and its breakdown per portfolio, the past-due portfolio, reserve differences, risk concentrations, portfolio diversification and the main risk indicators, as well as credit VaR estimates and expected and unexpected losses.

At December 31, 2014, the statistics describing the credit risk of the private sector portfolio shows the following distribution per number of borrowers vs. the average risk level.

December 2014 distribution of the private sector portfolio

| Number of counterpartie s | Balance | Stat. (%) | Accumulate d balance | Stat. (%) | Regulatory reserves | Expected Loss (EL) | EL/Bal. (%) | Average risk level |
|---|---|---|---|---|---|---|---|---|
| 1 - 5 | $ 12,725 | 12.3 | $12,725 | 12.3 | $ 72 | $ 26 | 0.2 | R1 |
| 6 - 10 | 9,433 | 9.1 | 22,159 | 21.3 | 45 | 25 | 0.3 | R1 |
| 11 - 15 | 8,066 | 7.8 | 30,224 | 29.1 | 40 | 32 | 0.4 | R1 |
| 16 - 20 | 7,422 | 7.1 | 37,647 | 36.3 | 48 | 30 | 0.4 | R1 |
| 21 - 25 | 6,120 | 5.9 | 43,767 | 42.2 | 28 | 13 | 0.2 | R1 |
| 26 - 30 | 4,572 | 4.4 | 48,338 | 46.6 | 24 | 20 | 0.4 | R1 |
| 31 - 297 | 55,489 | 53.4 | 103,828 | 100.0 | 1,044 | 1,380 | 2.5 | R4 |
| Total | $103,828 | 100.0 | | | $1,301 | $1,525 | 1.5 | R3 |

At that date, the annual VaR (not considering expected recoveries from guarantees) of the private sector portfolio was $4,822, which figure represents an extreme value of loss and profit distribution for possible impairment in the portfolio with a trust level of 99% and an annual time horizon.

The annual VaR of the net capital at December 31, 2014, which is $17,239, represents 28.0%.

The expected loss for impairment of the private sector portfolio for the following year was $1,536, which was calculated using the portfolio risk levels based on the Entity's risk indicator method.

Additionally, the report in question contains the structure of capital levels for strategic and tactical purposes, as well as the marginal behavior of the rated portfolio, and the credit concentration per economic activity branch, per borrower and per ranges of responsibilities.

At the October 20, 2014 meeting, the Board of Directors approved a new strategic capital limit for the loan portfolio of $8,843.0, which represents 80.65% of the distributable capital ($10,965.0).

Liquidity risk

The risk of cash flows from loan transactions and the respective financing is measured per risk factor: base rate and spread. The CAIR is issued a monthly report on the structure of gaps in repricing and maturities, together with a sensitivity analysis that measures the effect of adverse changes in interest rates over the financial margin. It also estimates the degree of diversification of sources of financing.

According to the structure of repricing and maturities of productive and idle asses shown in the December 2014 balance sheet, if there were to be an adverse variation of 15 base points in each of the risk factors comprising the interest rate (base rate and spread), net income would decrease an average of USD17 thousand per day (approximately 2.7% of the daily financial margin).

Quantifiable, non-discretionary risks

Non-discretionary risk management is aimed at identifying, measuring, overseeing, limiting, controlling and reporting on operating, technological and legal risks associated to the Entity's critical processes, in order to identify the levels of concentration of those processes, the efficiency with which they operate, and their estimated economic impact.

In identifying quantifiable risks and determining their average exposure value per type of event and line of business, following are the results for the period from January 2008 to December 2014.

| | | Frequency | | Severity | |
|---|---|---|---|---|---|
| Type of event | No. of events | % Total | Losses | % Total | Unit |
| Customers, products and business practices | 1 | 2% | $0.0 | 0% | $ - |
| Natural disasters and other events | 2 | 4% | 0.9 | 11% | 0.5 |
| Process execution, delivery and management | 46 | 85% | 6.3 | 77% | 0.1 |
| External fraud | - | 0% | - | 0% | - |
| Internal fraud | - | 0% | - | 0% | - |
| Occurrence within the business and system failure | 5 | 9% | 0.9 | 11% | 0.2 |
| Labor relations and safety at place of work | - | 0% | - | 0% | - |
| Total | 54 | 100% | $8.1 | 100% | $ 0.1 |

According to the matrix per type of event, frequency and severity concentration in process execution, delivery and management is 85% and 77%, respectively.

| | | Frequency | | Severity | |
|---|---|---|---|---|---|
| Line of business | No. of events | % Total | Losses | % Total | Unit |
| Asset management | - | 0% | $ - | 0% | $ - |
| Commercial banking | 21 | 39% | 5.4 | 66% | 0.3 |
| Retail banking | - | 0% | - | 0% | - |
| Corporate finances | - | 0% | - | 0% | - |
| Retail intermediation/retail brokerage transactions | - | 0% | - | 0% | - |
| Negotiations and sales | 21 | 39% | 1.8 | 22% | 0.9 |
| Payment and settlement | 12 | 22% | 0.9 | 11% | 0.8 |
| Agency services | - | 0% | - | 0% | - |
| Total | 54 | 100% | $8.1 | 100% | $0.1 |

As concerns the matrix per line of business, commercial banking has 39% frequency and 66% severity concentration, while negotiations and sales have 39% frequency and 22% severity concentration.

The average value of exposure to accumulated events at December 31, 2014 is 0.1%.

Operating Risk

Risk is analyzed based on quality, quantity and regulatory compliance:

Qualitative analysis - This analysis is performed by applying self-evaluations to selected critical processes, after which a technical report on operating risk is issued. Critical processes were mainly identified in medium-high risk areas with regard to nature and in medium risk areas with regard to operating efficiency.

Quantitative analysis - Losses are obtained from selected accounting accounts to record operating risk events. The authorized operating risk estimate for 2014 is $8.3, i.e., the tolerance level to control exposure to operating risk events. Accumulated consumption in the fourth quarter of 2014 is $5, and the balance of the accumulated reserve is $3.

Regulatory compliance - The Entity uses the basic indicator method to estimate its capital requirements for operating risks, in accordance with the capitalization rules in place for Credit Institutions; the total capital requirement for operating risks was $492 at December 31, 2014.

Technological risk

Technological risk is measured an controlled through follow up on six critical indicators: 1) level of availability of critical services; 2) security to access the Entity's network; 3) detection, blocking and locks against viruses in the Entity's network; 4.a) detection and blocking of access to restricted Web sites; 4.b) detection and blocking of SpyWare, and 5) testing of the Disaster Recovery Plan (DRP). Supplementary technological risk is evaluated to provide an indicator with which to consider the degree of criticality of applications and the likelihood of occurrences. Additionally, the Entity applies the Business Continuity Plans (BCP) of processes identified as critical under the Institutional Operations Continuity Plan (PCOOP). At December 31, 2014, the indicators show that the goals determined for each indicator were met.

Legal risk

Policies have been established to identify, measure and record provisions and/or contingencies for potential losses arising from negative rulings during legal processes with the Entity as plaintiff or defendant, in order to mitigate the related effects on the Entity's equity.

After applying said policies, the allowances for legal risk at December 2014 totaled $523, and are made up as follows: $415 for civil suits, $88 for labor suits, $1 for commercial suits, $12 for costs and expenses, including administrative expenses, and $7 for other expenses.

Additionally, in accordance with the above policies, memorandum accounts include contingencies arising from commercial, labor, civil and administrative suits that in light of their legal status the Entity expects to be handed down a favorable sentence.

Unquantifiable risks

These are risks arising from casualties or unforeseen external events that cannot be associated to the likelihood of occurrence and that give rise to economic losses that can be transferred to external risk-assuming entities.

In the last quarter of 2014 there were no casualty reports that affected the Entity's equity.

In December 2014, the CNBV issued provisions regarding liquidity requirements for Credit Institutions, which consisted mainly of the following:

i. Entities must have exposure-free, highly rated liquid assets to cover their liquidity obligations and requirements over a 30 day period.

ii. The provisions establish a liquidity coverage factor that is based on a calculation methodology that reflects international standards, considering all transactions included in the respective balance sheets, as well as off-balance sheet transactions that given their nature imply a potential liquidity risk for entities.

iii. In calculating the liquidity hedge factor, entities are required to consolidate their balances with those of their subsidiaries engaged in financial transactions, except for those that Banxico and the CNBV authorize to be excluded.

iv. Communicating the liquidity hedge factor

v. Definition of the terms and conditions under which the liquidity hedge factor of full-service bank entities is to be determined.

The aforementioned provisions come into force on January 1, 2015, allowing for a transitory period for the enactment of the liquidity factor, taking into consideration the amount of asset transactions of those entities and the time during which they have operated.

**Note 29 - Accounting estimates:**

The Company and its subsidiaries prepare estimations and projections for future events in order to recognize and measure certain financial statement captions. The resulting accounting estimations may probably differ from actual results or events. Estimations and projections involving a significant risk of material adjustments to assets and liabilities recognized in the subsequent year are as follows:

Allowances for loan losses

The Entity determines its allowance for loan losses based on the Provisions of the CNBV, which require the use of non-complex or subjective assumptions established in the methods for rating loan portfolios. A change in assumptions could affect the allowance for loan losses.

Income taxes

The Entity is subject to payment of income taxes. It is necessary to make significant judgments to recognize incurred and deferred income taxes. There are numerous operations and calculations for which an exact tax determination is uncertain. The Entity records a liability for matters identified during tax audits that it considers likely to result in the determination of tax in addition to the amount originally incurred. When the final result of these processes differs from the liability estimated, said differences are recognized in income taxes payable and/or deferred for the period.

Labor benefits

The present value of pension liabilities depends on a number of premises that are determined on actuarial bases using different assumptions. Any changes to these assumptions would affect the liability recognized.

At the closing of each year, the Entity estimates the discount rate for determining the present value of future cash flows calculated to liquidate pension obligations, based on the interest rates of top-quality corporate bonuses, expressed in the same currency as pension benefits with similar maturity dates. Other factors used to estimate pension obligations are based on current market conditions.

The main premises used were those described in the Note on labor benefits.

**Note 30 - Financial reform:**

On January 10, 2014, the Official Gazette published the "Decree amending, adding and revoking sundry financial provisions and issuing the Law regulating Financial Groups", known as the Financial Reform, which came into effect on the business day following publication in the Gazette.

The Financial Reform passed by the Executive power amends 32 Laws, 2 Codes and 1 new Law through 13 Decrees, and it was mainly designed to:

a. Increase the powers of different financial authorities, provide flexibility to the portability of loan transactions and guarantees and reformulate certain characteristics that must be met by Multiple Purpose Credit Institutions.

b. Redefine the "role" of Development Banks by refocusing their mandates and providing a greater degree of management autonomy with sufficient financial and operating flexibility.

c. Improve the schemes for executing loan guarantees, and incentivize banks to favor placement of loans for investments in government securities by proposing a mechanism to specifically evaluate those operations through the Commission.

d. Strengthen prudential regulations by establishing laws for sound capital practices (Basel III), and incorporate liquidity indexes and inhibit conducts that depart from sound practices. Additionally, to facilitate banking bankruptcy processes, safeguarding the rights of savings account holders and lowering the tax cost.

e. Strengthen and improve financial regulation and supervision of intermediaries by backing up coordination and cooperation mechanisms between the different financial authorities (Financial System Stability Board), standardizing procedures to heal the financial laws with a view to facilitating the work of the authorities and implementing self-correction programs that will result in better legal compliance by supervised entities.

As part of implementation of the Financial Reform, secondary regulations are expected to be issued by the financial authorities in 2014 and 2015, whose impact on the financial information is being evaluated by the Entity.

**Note 31 - New accounting standards:**

Accounting criteria

In 2014, the CNBV issued new Accounting Criteria applicable to Credit Institutions, which come into force on January 1, 2015. In 2013, the CNBV issued no new Accounting Criteria applicable to Credit Institutions. Those Accounting Criteria are not expected to significantly affect the financial information presented by the Entity.

On February 5, 2015, the Official Gazette published the decree amending the general provisions applicable to Credit Institutions, thus amending transitory article two of the ruling that modifies the general provisions applicable to Credit Institutions published in the Official Gazette of May 19, 2014, amended through different rulings published in the Gazette on July 3, 2014 and January 9, 2015, as follows: "SECOND.- The accounting criteria contained in Exhibit 33 that are superseded by this Ruling come into effect on June 1, 2015".

Criterion A-2 "Application of specific standards" The names are updated and additional NIF are added that are applicable to the Entity. It specifies the accounting treatment of overdrafts of checking accounts that are not linked to a credit line, and it applies standard accounting criteria for Credit Institutions to investment entities for the purpose of recognizing equity in the entities of a joint transaction, except in cases of restatement of financial statement figures.

Criterion B-6 "Loan portfolio" It describes in detail certain concept definitions. It also specifies the moment in which "Sustained loan payment" is considered to occur for restructurings of different types of loans and it amends the concepts of restructuring and renewals. It specifies the requirement to recognize in income the commissions collected on transactions other than loan granting, on the dates in which they are incurred. It establishes different considerations for transferring past due portfolios of loans granted to refurbish or make housing improvements, and of loans granted under a revolving credit line, and the specifies the treatment of restructurings and renewals when loans granted by the Entity are consolidated. It specifies additional disclosure on housing loans backed up with housing subaccounts, consolidated loans resulting from loan restructurings or renewals and restructured loans not transferred to the past due portfolio.

Criterion C-2 "Securitization operations". It specifies that in the case of securitization vehicles not recognized in the financial statements prior to January 1, 2009, it will not be necessary to revalue the allocation of recognized financial assets prior to said date and that the effects thereof on the financial statements must be disclosed.

Criterion C-3 "Related parties". It modifies the concepts of "Agreement with joint control", "Control", "Joint control", "Controlling company", "Significant influence" and "Subsidiary" to adjust said concepts to the applicable NIF.

Criterion C-5 "Consolidation of special purpose entities". It is repealed.

Criterion D-1 "Balance sheet". It adds classifications to the "Housing loan", "Traditional fund attraction" and "Memorandum accounts" category.

Criterion D-2 "Statement of income". It adds the concept of "Subsidies" as part of the operating result of development banks receiving subsidies from the Federal Government. It also adjusts the concept of "Equity in results of non-consolidated subsidiaries, associates and joint businesses" in accordance with the applicable NIF.

NIF

In December 2012 and 2013, the CINIF (Mexican Financial Reporting Standards Board) issued a series of NIF, effective as from January 1, 2014 and 2013, as well as other NIF that come into force on January 1, 2016, although early application is allowed. Those NIF are not expected to significantly affect the financial information presented by the Entity.

2018

NIF C-3 "Accounts receivable". It establishes the valuation, presentation and disclosure standards for initial and subsequent recognition of commercial accounts receivable and other accounts receivable in the financial statements of an economic entity. It specifies that the accounts receivable that are based on an agreement represent a financial instrument.

NIF C-9 "Provisions, contingencies and commitments". It establishes the standards for book recognition of provisions in the financial statements of entities, as well as the standards to disclose contingent assets, contingent liabilities and commitments in those financial statements. It reduces the scope by relocating the accounting treatment of financial liabilities to NIF C-19 "Financial instruments payable". It additionally updated the terminology used throughout the regulatory wording.

2014

NIF C-11 "Stockholders' equity". It establishes the standards for valuation, presentation and disclosure of the components of stockholders' equity in the statement of financial position of for-profit entities. The main changes in relation to the standard in question are that it requires setting the price per share to be issued for future capital increase advances and it establishes that they cannot be reimbursed before they are capitalized so that they may qualify as stockholders' equity, and it also includes the standard regarding financial instruments that are identified as capital during their initial recognition.

NIF C-12 "Financial instruments qualifying as debt and capital". Establishes the standards for initial recognition of financial instruments qualifying as debt and capital in the financial statements of for-profit entities. The concept of subordination is incorporated

2014 NIF Improvements:

NIF C-5 "Prepayments". It establishes the accounting treatment of prepayments for the purchase of items in a foreign currency. It also establishes that losses for impairment in the value of prepayments (and reversals thereof) must be shown as part of the net profit or loss for the period in the caption determined by the Entity based on its professional judgment, instead of in the statement of income for the period under other income and expenses.

Statement C-15 "Impairment in the use value of long-lived assets and their disposal". It establishes that impairment loss and reversal thereof in the value of intangible assets with indefinite lives (including goodwill) must be shown in the statement of income for the period under the caption used to present expenses related to depreciation and amortization of assets of the cash generating unit to which said intangible assets are associated. Presentation of impairment losses as part of expenses that have already been capitalized in the value of a given asset is not allowed.

The requirement to show certain operations under other income and expenses has been eliminated from NIF C-6 Property, plant and equipment, NIF C-8 Intangible assets, Statement C-9, Liabilities, provisions, contingent assets and liabilities and commitments, and NIF D-3, Employee benefits, and the use of that caption is left to the judgment of the Entity.

Interpretations of NIF

INIF-20 "Accounting effects of the 2014 Tax Reform". INIF 20 was issued to address the manner for recognizing the accounting effects of the 2014 Tax Reform in the financial statements.

2013

NIF B-8 "Consolidated or combined financial statements". The rule is modified to include amendments to the definition of control; the concept of protective rights is introduced, as well as the terms principal and agent; the term special purpose entity (SPE) is eliminated and the term structured entity is introduced.

NIF C-7 "Investments in associated companies, joint businesses and other permanent investments". The rule is modified because further disclosures are required, and it is therefore established that investments in joint businesses must be recognized by applying the equity method; the term special purpose entity (SPE) is replaced by the term structured entity; all the effects on the net profit or loss of the holding company arising from its permanent investments in associates, joint businesses and other permanent investments must be recognized under equity in the results of other entities.

NIF C-21 "Joint control arrangements". It establishes the accounting recognition required to properly classify joint control agreements. It establishes that a participant of a joint business must recognize its interest therein as a permanent investment and value said interest based on the equity method, and establishes the accounting recognition method to be followed in order to switch from proportional consolidation to the equity method.

2013 NIF Improvements:

NIF C-5 "Prepayments", Statement C-9 "Liabilities, provisions, contingent assets and liabilities and commitments" and Statement C-12 "Financial instruments with characteristics of liabilities, capital or both". It establishes that expenses for issue of debentures must be shown as a reduction in the respective liability and must be applied to income as per the effective interest method, considering the period in which the debentures are outstanding.

NIF D-4 "Income taxes" It specifies the method for recognizing taxes incurred and deferred pertaining to transactions or events not recognized under income for the period.

Statement D-5 "Leases". It establishes that initial direct costs must be deferred in the lease period and be applied to income in proportion to the respective expenses recognized.

NIF A-1 "Structure of financial reporting standards" and Statement C-9 "Liabilities, provisions, contingent assets and liabilities and commitments". Defines the meaning of "probable" and establishes that it is applicable when there is certainty that something will occur in the future on the basis of available information, evidence, proof or data.

NIF B-7 "Business acquisitions". Itliminates the concept of special items from the statement of comprehensive income.

Statement B-14, "Profit per share ". It establishes the determination of potentially dilutive common stock at interim periods.

NIF B-15 "Foreign currency conversion". It requires entities to show the accrued effect of conversion associated to the non-controlling interest.

Statement C-15 "Impairment in the use value of long-lived assets and their disposal". Statement C-15 is modified in order for indications of impairment to include the potential effect of a significant increase in market interest rates.

The aforementioned amendments had no significant effects on the financial statement figures.

Enrique de la Madrid Cordero
General Director

José Luis Mario Aguilar y Maya Medrano
Deputy General Director
(As of January 6, 2015)

Martha Martínez Quiroz
Finance Director

Víctor Manuel Jiménez García
Internal Audit Director
(As of November 1, 2014)