Monetary figures in millions of Mexican pesos, unless otherwise specified

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

a. Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo (the "Bank") is an entity of the Federal Public Administration with an independent legal status and own capital, incorporated as a National Credit Corporation under 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 Bank became Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo. On January 20, 1986, Congress 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the June 24, 2002 Official Gazette (OG), the Ministry of Finance (SHCP for its acronym in Spanish) amended, added and repealed various provisions thereof, especially aspects of the objectives, operations, administration, supervisions and authority of the Board, and the powers of the Director General. On April 25, 1991, the SHCP issued the Organic Regulations of the Bank. On August 25, 2015, the Official Gazette published a new set of amendments to the Law.

b. Under the Organic Law in effect for the Bank, as a development bank, the Bank provides public banking and credit services in accordance with the objectives and priorities of the National Development Plan, and in particular the National Program for Development Financing, to encourage and finance the activities and sectors that are governed by the Organic Law.

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

c. The Bank's main operations are regulated by the Credit Institutions Law and by the Banco de Mexico (Banxico) Law. Those regulations include different restrictions that specify the maximum level of leveraging allowed, and the capitalization requirements that limit the Bank'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, 2015 and 2014 and for the years then ended include those of the Bank:

	% of ownership		
Company	Serie A	Serie B	Activity
Desarrollo Inmobiliario Especializado, S. A. de C. V. (DIESA)	99.20	100	Real Estate

   DIESA's business purpose is to acquire, lease, manage, develop, exploit, sell and use properties, and to carry out adaptation, conservation, construction, demolition, maintenance and modification work of those properties, provided that the properties currently or in the future will house the Bank's offices. The Company's total assets comprise 0.14 and 0.14% of the Bank's total assets at December 31, 2015 and 2014, respectively.

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 were modified with respect to the methodology for rating commercial loan portfolios, changing the losses model and establishing 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 to rate financial intermediaries was the cancellation of reserves of Ps.45 in 2014 recorded as income for the period.

b. As mentioned in Note 20, on December 14, 2015, the Board of Directors authorized the Bank's management to request a capital contribution of up to Ps.2,200 from the Federal Executive through the SHCP. A Ps.2,200 contribution was received on December 28, 2015. In 2014, the Bank requested a capital contribution from the SHCP of up to Ps.2,000, and received a Ps.1,800 contribution on December 1, 2014.

Note 2 - Basis for preparation of the financial statements:

The accompanying consolidated financial statements at December 31, 2015 and 2014 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 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 Bank has prepared its statement of income as per the presentation required by the CNBV, with the objective to present information on operations conducted by the Bank, as well as other economic events affecting operations that do not necessarily arise from decisions or transactions made by the stockholders in any particular period.

The Sole Bank Circular (CUB for its acronym in Spanish), in force as of December 3, 2005, is a legal instrument that centralizes 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 purpose.

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 Accounting Standards 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 distributed with the amendments deemed necessary in the allotted term.

Recording, functional and reporting currency

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

According to the provisions of NIF B-15, the Bank and its subsidiary have identified the Mexican peso as their Recording, Functional and Reporting currency.

There were no changes in these currencies with respect to the prior year.

Inflation effects on the financial information

According to the guidelines of NIF B-10, "Inflation effects", as of January 1, 2008, the Mexican economy is not inflationary, since the accrued inflation for the last three years is less than 26% (maximum limit for an economy to be considered non-inflationary); therefore, as of that date, recognition of the effects of inflation on the financial information is no longer required (disconnection inflationary accounting). Consequently, the figures at December 31, 2015 and 2014 shown in the accompanying financial statements are expressed in historical Mexican pesos, modified for the effects of inflation on the financial information recognized until December 31, 2007.

The following are the percentages (%) of inflation:

	2015	2014
For the year	2.13%	4.08%
Accrued over the past three years	10.18%	11.62%

Accounting criteria in effect in 2015 and 2014

In 2015, there were no changes in the accounting criteria applicable to the Bank. In 2014, the following changes in accounting criteria issued by the CNBV came into effect with prospective application.

NIF B-6 "Loan portfolio": Establishes the criteria under which borrowers who declared bankruptcy can be considered as performing loans provided that they continue making the payments on loans indispensable for the regular operations of the borrower and maintain the necessary liquidity during the bankruptcy process, or if the loans are granted for this purpose, under the Bankruptcy Law (BL). This amendment did not have an effect on the financial information presented by the Bank.

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 for a period of up to three months. Those balances did not bear interest or instead may be capitalized. The foregoing is applicable to loans classified as performing 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 2015 and 2014 with no significant effects on the financial information:

2015

NIF Improvements

NIF B-8 "Consolidated or combined financial statements". Incorporates the definition and manner of identifying an investment entity. It also establishes the need to perform an analysis to conclude whether or not there is control by those entities over the entities in which they have an interest. If there is no control, it is necessary to identify the type of investment in question. Book recording thereof requires applying the respective NIF.

NIF C-9: "Liabilities, provisions, contingent assets and liabilities and commitments". Establishes that customer advances in a foreign currency must be recorded at the exchange rate in effect at transaction date, i.e. at the historical rate of exchange, and that said amount must not be modified for future exchange fluctuations.

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 at their initial recognition.

NIF C-12 "Financial instruments with characteristics of debt and capital". Establishes the standards for initial recognition of financial instruments with characteristics of 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 a foreign currency. It also specifies that impairment losses in the value of prepayments (and Improvements

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 entity's judgment.

Interpretations of NIF

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

Financial statement authorization

The accompanying consolidated financial statements and their notes at December 31, 2015 and 2014 were authorized by the Board of Directors at the February 24, 2016 and January 29, 2015 meetings, respectively.

Note 3 - Summary of significant accounting policies:

The following is a summary of significant accounting policies, which have been consistently applied in the years presented, unless otherwise specified.

The NIF require the use of certain accounting estimates in preparing a set of financial statements. They also require management to exercise its judgment to determine the accounting policies to be applied by the Bank. The items involving a greater degree of judgment and assumptions and estimates that are significant to the consolidated financial statements are the allowance for loan losses, income taxes and labor liabilities.

a. Consolidation

Subsidiary

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

A subsidiary is consolidated as from the date on which the Bank 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 subsidiary are consistent with the accounting policies applied by the Bank.

The consolidated financial statements include the subsidiary DIESA. The following is the condensed financial position of DIESA at December 31, 2015 and 2014 and the condensed results of its operations for the periods then ended.

	2015	2014
Statements of financial position		
Assets:		
Cash and cash equivalents	Ps. 71	Ps. 61
Properties and other assets	396	320
	467	381
Liabilities and stockholders' investment:		
Other liabilities	88	2
Stockholders' investment	379	379
	467	381
Statement of income		
Income	55	54
Costs and expenses	(33)	(50)
Operating income	88	4
Income taxes	3	-
Net income	Ps. 85	Ps. 4

DIESA is audited by independent public accountants which are not the Bank's auditors.

Associates

Associates are all entities over which the Bank has significant influence but not control, due to voting power; representation on the Board of Directors or an equivalent body of the associated company; participation in establishing the financial and operating policies of the associate company; or participation in decisions to declare dividends and other movements.

When determining whether the Bank 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 Bank can direct a company's relevant operations.

Investments in associates initially recorded at cost are valued by the equity method. Recognition of the equity method begins on the date on which significant influence over an associated company is obtained and ceases when said influence is lost.

The Bank'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 Bank'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 Bank 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 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 percentage 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.

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 expressed in a foreign currency are restated to local currency at the rate of exchange published by Banxico at financial statement date. Exchange fluctuations are recorded in income for the period.

   The currencies used by the Bank are the US dollar, Pound sterling, 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 financial statement date.

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

This item also includes the amount of short-term interbank loans (call money granted), when the term does not exceed three business days, as well as acquired foreign currency whose settlement is due on a date after the transaction date. Both are recognized 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 Bank'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 related 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.

Trading securities

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 valuation adjustments 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.

Available for sale securities

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 the fair value provided by price vendors authorized by the CNBV based on the market value, and any valuation adjustments 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 by the equity method as established in NIF C-7 "Investments in associated companies and other permanent investments".

Held to maturity securities

These are debt securities with determinable payments acquired to be held to maturity. Held to maturity securities 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, 2015 and 2014, the Bank evaluated whether or not there was objective evidence that a security had been impaired by considering the following matters, among others: 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 Bank observed no objective evidence of impairment of the securities.

In 2015 and 2014, the Bank made no transfers from the held to maturity securities category to the securities available for sale category.

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

With the Bank as seller, the Bank's own financial assets are recorded 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 restricted financial assets and collateral guarantees received, the Bank follows the same recording, presentation and disclosure guidelines established in the Accounting Criteria for Credit Institutions.

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

With the Bank 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 the applicable criterion.

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 Bank 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 presented in liabilities under Collateral guarantees sold or pledged.

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

In addition, when selling the collateral or using it as a guarantee, the Bank 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 price, and subsequently values it at fair value, or at its amortized cost if pledged, in another repurchase operation. Additionally, control of collateral is recorded in memorandum accounts under "collateral received and sold or pledged", valued at fair value.

f. Derivative financial instruments (DFI) - The Bank carries out operations with DFI 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" issued by the CNBV, hedge operations are classified as fair value, cash flows and foreign currency operations; the operations carried out by the Bank 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 confirmation of the 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 Bank'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 allows measuring changes 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 Bank has the policy of hedging risk positions associated to 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 Bank in futures markets are for trading purposes. The fair value of rights and obligations of those operations 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 income.

At December 31, 2015 and 2014, the Bank had no operations in futures markets or forwards contracts.

Swaps operations

Operations contracted by the Bank with this type of instruments are considered fair value hedges, since their purpose is to hedge open risk positions of interest rates and 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 conditions opposite to those that give rise to an open risk position.

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

The Bank measures the effectiveness of hedges with swaps derivatives 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 involve 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.

g. Loan portfolio - Loans given 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 regulations, as well as the provisions of the Bank'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 advance 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 non-performing loan portfolio:

- A borrower known to have filed for bankruptcy in accordance with the BL, and as of September 25, 2014 such borrower continues making payments in the terms of the BL. That borrower is transferred to the non-performing 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 in 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 non-performing loan 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 is considered in the following terms:

a. If the restructuring or renewal is carried out before at least 80% of the original term of the loan has elapsed, and if all accrued interest has been paid, along with the principal of the original loan that should have been covered at the date of the reorganization or renewal.

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

Restructuring of a loan is not considered to occur when the total amount of principal and interest payable have been covered at the realization date and said payment modifies one or several of the following original loan conditions: i. Guarantees: only when they imply the extension or replacement of guarantees for others of a better quality; ii. Interest rate: when the agreed interest rate is improved; iii. Currency: provided the rate of the new currency is applied, and iv. Payment date: only when the change does not result in exceeding or modifying the frequency of the payments. In no case may the change in payment date allow the omission of payment in 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 a 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 performing 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, 2015 and 2014 in adherence to the Provisions issued by the CNBV on June 24, 2013 and its subsequent amendments. That 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 loan and mortgage portfolio was rated as per the methodology for rating non-revolving consumer loan and 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.

The Bank's commercial loan portfolio was rated based on the general methodology using an expected loan loss model.

The amount of the preventive reserve for each loan is the result of applying the following formula:

$R_i = PI_i \times SP_i \times EI_i$

Where:

R_i	Amount of allowance for loan losses to be set up
PI_i	›robability of default on the loan
SP_i	;everity of loss
EI_i	:xposure to default on the loan

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

The reserve for commercial loan losses is 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 rating 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 applicable to the Bank, based on the following:

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

   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 Bank).

   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 the new methodology 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, the Bank rated the portfolio and determined its allowance for loan losses based on the previous rating methodology in effect until February 2014. The initial effect of applying the methodology in March 2014 was a reserve release of Ps.45 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 period with an entry in the Allowance for loan losses for credit risks.

   Following is a comparison of the amounts of Allowance for loan losses of financial intermediaries calculated on the basis of the former and new methodologies:

Risk level	February 2014	March 2014	Difference in preventive loan loss reserves
A-1	Ps. 21	Ps 43	Ps. 22
A-2	69	22	(47)
B-1	14	2	(12)
B-2	47	2	(45)
C-2	-	7	7
D	-	30	30
Total	Ps. 151	Ps.106	(Ps. 45)

3. At December 31, 2014, a borrower settled the full amount of its debts thus releasing the respective Ps.45 allowance in accordance with the Accounting Criteria.

Methodology for rating consumer and housing loan portfolios

Rating of the non-revolving consumer loan and mortgage portfolios is determined based on the estimated result of the effects of the probability of default or 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 Bank form part of the loan portfolio in accordance with the regulations established by the CNBV.

The Bank calculates the amount of the allowance for loan losses based on the foregoing, which is then 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 allowance for loan losses.

The Ps. 2,423 and Ps.1,673 of the allowance for loan losses at December 31, 2015 and 2014 is comprised of the rating requirement at those dates of Ps. 2,423 and Ps.1,568, respectively, which includes Ps.2 and Ps.15, respectively, to reserve 100% of interest accrued but not collected on the past due portfolio, in order to comply with paragraph 68 of criterion B-6, which establishes that a reserve must be set up for an amount equivalent to such loss. In 2015 and 2014, the Bank recorded Ps.0 and Ps.105 of additional reserves, respectively.

In determining additional reserves to be reported to the CNBV that the Bank was required to set up in 2014, consideration was given to the Bank's interest in strategic sectors that cause greater exposure to Commercial Banks as regards terms, amounts and intended uses. Additionally, a comparison was made between the Bank's current non-performing loan portfolio and the average non-performing loan portfolio of Commercial Banks, assuming that the Bank's non-performing loan portfolio average would tend to the bank median and reach a percentage similar to that of Commercial Banks in the short term. In 2015, the Bank's management decided not to set up additional reserves.

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 loan loss reserve. If the amount to be canceled exceeds the recorded estimate, it is recorded as other operating income (expenses).

The Bank 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 reserve, the allowance is increased up to the amount of the difference. In 2015, the Bank applied five loans against the allowance for loan losses for a total of Ps.496. In 2014, the Bank 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 term were all reported to the Commission prior to their creation. At December 31, 2015 and 2014, the Bank has additional allowance for loan losses of Ps.0 and Ps.105, 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, estimates are first created up to the amount of the difference.

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

Loans made to officers and employees are collected through the payroll.

Accounts receivable from identified debtors whose maturity is agreed from the start at a term of more than 90 calendar days requires setting up a reserve that reflects the extent of their irrecoverability.

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

j. Foreclosed items or items received as payment in kind - These items are recorded at the lower of 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 item, the value of the item is adjusted to the carrying value of the asset.

Assets acquired as a result of a foreclosure are recorded on the date on which the court sentence approving the foreclosure 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 non-monetary items.

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

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

In the case of items held 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 foreclosure 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

Real property

Time elapsed as of the foreclosure or payment in kind (months)	Percentage of reserve %
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 sale, the difference between the selling price and the 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 life expectancy 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, 2015 and 2014, there were no signs of impairment in finite 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 or capital reimbursements subsequent to the acquisition date. Losses in associated companies not arising from reductions in the percentage of equity are recognized proportionally in permanent investments.

The Bank'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 Bank where the risks and benefits inherent in 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. Deposits - Liabilities incurred for fund attraction through certificates of deposit, fixed term deposits, banker's 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.

   When securities are placed at a price other than their nominal value, in addition to the matter mentioned in the paragraph above, a deferred charge or credit is recorded, as applicable, on the difference between the nominal value of the securities and the cash received therefrom. 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. The difference between the nominal value of the securities and the amount of cash mentioned above is recorded in income for the period using 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 Bank's income as an interest expense.

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

   The Bank 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).

r. Sundry creditors and other accounts payable - This caption includes transaction settlement accounts, accounts receivable from margin accounts, accounts receivable from collateral guarantees received in cash, sundry creditors and other accounts payable, the latter which includes the negative balance of 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) payable and deferred. - Payable and deferred tax is 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 Bank recognized deferred income tax, as the financial and tax projections indicate that the Bank 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 equity and is to be reclassified to income for the year as it is realized.

t. Deferred employees' statutory profit-sharing (ESPS) - Deferred ESPS is recorded on the basis of the comprehensive 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 of under one year. ESPS incurred is presented 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 Bank 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 Bank 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, 2015 and 2014, the calculation was prepared and adjusted to the actual figure in the same period.

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

Direct benefits (salaries, overtime, vacations, holidays and paid absences, etc.) are recognized in income as they accrue and the respective liabilities are expressed at nominal 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 by the projected unit-credit method.

The net cost for the period based on actuarial calculations over projected salaries 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 Bank 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 stock 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 equity items are expressed at their modified 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 Bank'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 to the effect 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 Bank'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 2015 and 2014 is expressed in historical pesos.

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

x. Trust operations - The Bank 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 is recorded in income for the period as it accrues.

y. Custody and administration operations. Administration operations include those conducted by the Bank 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 Bank they do not form part of the balance sheet. However, the estimated amount for which the Bank would be liable in the event of a future contingency is recorded in memorandum accounts, with the exception of cash received for payment of services on behalf of third parties.

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

In the event the Bank is liable to the depositing party for damages or loss of the goods in custody or under 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 repairing 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 in 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 and repurchase operations are applied to income as they arise.

Interest on the loan portfolio is recognized as it accrues, except for interest on the non-performing loan 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 by 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 Bank'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 Bank operates at which identified segments generate income or hold production assets.

bb. Related parties. The Bank conducted transactions with related parties during the regular course of operations. Operations with related parties are understood to be those in which the Bank 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 Bank arising from derivative operations and investments in securities other than shares.

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

Also considered as related parties are business entities, as well as the advisors and officers thereof, in which the Bank 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 Bank's net capital, as set forth in article 50 of the Law.

Note 4 - Foreign currency operations:

The Bank 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 Bank'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 Bank's basic capital.

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

At December 31, 2015 and 2014, foreign currency operations carried out in the currencies used by the Bank and the position of currencies are as follows:

2015					
	(In thousands)				
	Asset	Liability	Position in source	Mexican peso exchange	Mexican
Currencies	Source currency		currency	rate	Pesos
US dollar	7,402,876	7,404,068	(1,192)	Ps. 17.24870	(Ps. 21)
Pound sterling	184	-	184	25.43666	5
Japanese yen	11,490	-	11,490	0.14346	2
Euro	5,787	3,443	2,344	18.74934	44
					Ps. 30

2014					
	(In thousands)				
	Asset	Liability	Position in source	Mexican peso exchange	Mexican
Currencies	Source currency		currency	rate	Pesos
US dollar	5,744,535	5,749,795	(5,260)	Ps. 14.74140	(Ps. 78)
Pound sterling	13	-	13	22.98479	-
Japanese yen	11,751	-	11,751	0.12296	2
Euro	2,174	1,882	292	17.83857	5
					(Ps 71)

The exchange risk position, as a whole and per currency, does not exceed the limit equivalent to 15% of the Bank's basic capital, which totals USD 166,077 thousand and USD 172,546 thousand at December 31, 2015 and 2014, respectively.

The exchange risk position at December 31, 2015 and 2014 is as follows:

	Currencies restated to USD (thousands)	
	2015	2014
US dollar	Ps. 32,344	Ps. 21,638
Pound sterling	272	20
Japanese yen	96	98
Euro	2,538	356
Total	Ps. 35,250	Ps. 22,112

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

	Exchange rates	
Currency	2015	2014
US dollar	Ps. 1.000000	Ps. 1.0000000
Pound sterling	0.678104	0.641355
Japanese yen	120.233515	119.904077
Euro	0.919963	0.826378

At December 31, 2015 and 2014, the exchange rates used to convert figures to Mexican pesos are as follows:

	Exchange rates	
Currency	2015	2014
US dollar	Ps. 17.248700	Ps.14.741400
Pound sterling	25.436660	22.984790
Japanese yen	0.143460	0.122960
Euro	18.749340	17.838570

At February 24, 2016, the exchange rates used to convert figures to Mexican pesos are as follows:

Currency	Exchange rates
US dollar	Ps.18.056800
Pound sterling	25.155858
Japanese yen	0.1615749
Euro	19.849857

Note 5 - Cash and cash equivalents:

At December 31, 2015 and 2014, cash and cash equivalents are made up as follows:

	2015	2014
Domestic bank deposits	Ps. 3,389	Ps. 3,305
Deposits in foreign banks	412	122
Demand deposits	4,987	2,932
Call Money	6,918	3,310
Time deposits	862	295
Purchase of spot currencies	346	70
Other	(308)	(90)
	Ps. 16,606	Ps. 9,944

Domestic bank deposits:

	2015		2014	
	Thousands of USD	Mexican peso	Thousands of USD	Mexican peso
Banco de México F.C.	394	Ps. 7	387	Ps. 6
Banco de México MXP	-	3,279	-	3,279
Other banks F.C	5,645	97	889	13
Other banks MXP	-	6	-	7
	6,039	Ps. 3,389	1,276	Ps. 3,305

Deposits in foreign banks:

	2015		2014	
	Source currency thousands	Mexican peso	Source currency thousands	Mexican peso
Mexican peso	Ps.135	Ps. -	Ps.135	Ps. -
US dollar	17,510	302	5,536	82
Pound	184	5	13	-
Yen	11,490	1	11,751	2
Euro	5,535	104	2,150	38
		Ps. 412		Ps. 122

Demand deposits:

	2015				2014			
Source currency	Rate	Term days	Source currency thousands	Mexican peso	Rate	Term days	Source currency thousands	Mexican peso
USD	0.17% to 0.37%	4	289,100	Ps. 4,987	0.02% to 0.18%	2	198,901	Ps. 2,932
				Ps. 4,987				Ps. 2,932

Call Money:

	2015				2014			
Source currency	Rate	Term days	Source currency thousands	Mexican peso	Rate	Term days	Source currency thousands	Mexican peso
USD	0.17% to 0.37%	4	289,100	Ps. 4,987	0.02% to 0.18%	2	198,901	Ps. 2,932
Domestic banks								
MXP	2.90% a 3.53%	4	Ps.222,000	Ps. 222	2.95%	2	11,992	Ps. 12
FC	0.54%	4	388,220	6,696	0.24%	2	223,700	3,298
				Ps. 6,918				Ps. 3,310

Time deposits:

2015					2014				
Rate	Term days	Source currency	Source currency thousands	Mexican peso	Rate	Term days	Source currency	Source currency thousands	Mexican peso
0.75%	7 to 21	USD	50,000	Ps. 862	0.05% to .65%	7 to 21	USD	20,000	Ps. 295

Currency purchases (Spot):

	2015			2014		
	Source currency	Source currency thousands	Mexican Peso	Source currency	Source currency thousands	Mexican Peso
Foreign banks	USD	20,071	Ps.346	USD	4,769	Ps. 70

Other:

	2015	2014
Petty cash	Ps. 2	Ps. 3
Foreign bills and coins	8	3
Sales of spot currencies	(318)	(96)
	(Ps.308)	(Ps.90)

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 Bank is exposed, are described in Note 28.

At December 31, 2015 and 2014, investments in securities are comprised as follows:

a. Trading securities:

	2015	2014
Unrestricted government bonds	Ps. 2	Ps. 554
Unrestricted bank bonds	2,500	3,000
Repurchase operation securities	117,201	101,302
Guarantee government bonds	23	12
	Ps.119,726	Ps. 104,868

- Unrestricted government bonds

Unrestricted government bonds at December 31, 2015 and 2014 are comprised as follows:

	2015			2014		
	Carrying value	Fair value	Appreciation (deficit)	Carrying value	Fair value	Appreciation (deficit)
Unrestricted government bonds	Ps. 2	Ps. 2	Ps. -	Ps. 554	Ps. 554	Ps. -

- Unrestricted bank bonds

Unrestricted bank bonds at December 31, 2015 and 2014 are comprised as follows:

	2015			2014		
	Carrying value	Fair value	Appreciation (deficit)	Carrying value	Fair value	Appreciation (deficit)
Debt instruments	Ps. 2,500	Ps. 2,500	Ps. -	Ps. 3,000	Ps. 3,000	Ps. -

- Repurchase operation securities

Repurchase operation securities at December 31, 2015 and 2014 are comprised as follows:

	2015			2014		
	Carrying value	Fair value	Appreciation (deficit)	Carrying value	Fair value	Appreciation (deficit)
Government securities in repurchase operations	Ps. 117,199	Ps. 117,201	Ps. 2	Ps. 101,297	Ps. 101,302	Ps. 5

Guaranteed government bonds

Guaranteed government bonds at December 31, 2015 and 2014 are comprised as follows:

	2015			2014		
	Carrying value	Fair value	Appreciation (deficit)	Carrying value	Fair value	Appreciation (deficit)
Guaranteed government bonds	Ps. 23	Ps. 23	Ps. -	Ps. 12	Ps. 12	Ps. -

b. Available for sale securities:

	2015	2014
Obligations and other USD securities	Ps. 1,314	Ps. 1,142
Securities representing guarantee	104	90
Shares MXP	24	25
Shares USD	19	18
Valuation of hedging swaps (net)	(275)	(158)
	Ps. 1,186	Ps. 1,117

- Obligations and other securities

Obligations and other securities at December 31, 2015 and 2014 are made up as follows:

	2015			2014		
	Carrying value	Fair value	Appreciation (deficit)	Carrying value	Fair value	Appreciation (deficit)
Debt Certificates	Ps. 1,368	Ps. 1,314	(Ps. 54)	Ps. 1,169	Ps. 1,142	(Ps. 27)

- Securities representing guarantee

Guarantee securities used in derivative instrument operations at December 31, 2015 and 2014 are comprised as follows:

	2015			2014		
	Carrying value	Fair value	Appreciation (deficit)	Carrying value	Fair value	Appreciation (deficit)
Debt instruments	Ps. 102	Ps. 104	Ps. 2	Ps. 88	Ps. 90	Ps. 2

- Shares in Mexican pesos

Shares in Mexican pesos at December 31, 2015 and 2014 are made up as follows:

	2015			2014		
	Acquisition cost	Fair value	Unrealized loss	Acquisition costs	Fair value	Unrealized loss
Unlisted	Ps. 97	Ps. 24	(Ps. 73)	Ps. 97	Ps. 25	(Ps. 72)

- Shares in foreign currency - restated to pesos

Shares in foreign currency at December 31, 2015 and 2014 are made up as follows:

	2015			2014		
	Acquisition cost	Fair value	Unrealized loss	Acquisition costs	Fair value	Unrealized loss
Unlisted in USD	Ps. 7	Ps. 19	Ps. 12	Ps. 6	Ps. 18	Ps. 12

Dividends collected from shares available for sale in 2015 and 2014 total Ps.1 and Ps.0.76. The valuation result recognized in other comprehensive income items under stockholders' equity in 2015 and 2014 is Ps.0 and Ps. 27, respectively.

c. Held to maturity securities:

	2015	2014
Government bonds	Ps. 149	Ps. 147

Government bonds at December 31, 2015 and 2014 are comprised as follows:

	2015			2014		
	Amount	Interest provision	Total	Amount	Interest provision	Total
Government bonds	Ps.148	Ps. 1	Ps.149	Ps.110	Ps.37	Ps.147

d. Interest income, results of valuation and results of purchase and sale of securities in 2015 and 2014 are as follows:

	2015	2014
Income from purchase and sale of securities	Ps. 200	Ps. 313
Interest income	4,406	4,322
Result of valuation	(4)	3

Note 7 - Repurchase operations:

Repurchase operations carried out at December 31, 2015 and 2014 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 Bank (memorandum accounts)

	2015	2014
Government bonds	Ps. 3,602	Ps. 35,352

- Creditors for repurchase operations

	2015	2014
Securities owned by the Bank[1]:		
Government bonds	Ps.117,199	Ps.101,312

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

	2015	2014
Securities received as collateral for repurchase operations:		
Government bonds	Ps. 3,600	Ps. 35,343

b. Buyer

- Debtors for repurchase operations

	2015	2014
Government bonds	Ps. 27,411	Ps. 63,267
Inventories	299	192
Total	27,710	63,459
Debtors for repurchase operations	Ps. 24,110	Ps. 28,116

- Collateral received by the Bank (memorandum accounts)

	2015	2014
Government bonds	Ps. 27,446	Ps. 63,298
Inventories	395	252
Total	Ps. 27,841	Ps. 63,550

In 2015 and 2014, premiums obtained for repurchase operations amounted to Ps.1,360 and Ps.1,602, respectively, and premiums paid for repurchase operations totaled Ps.4,122 and Ps.3,995.

Note 8 - DFI operations:

DFIs at December 31, 2015 and 2014 are made up of CAPs. held for trading and fair value hedging swaps. To manage balance risk of long-term operations, the Bank mainly contracts interest rate and/or currency swaps. that cover exposure to asset or liability operations.

At December 31, 2015 and 2014 the Bank has contracted swaps. for an equivalent of USD5,012 million and USD2,458 million, respectively, and purchase-sale options for trading of USD48.2 million and USD 21.8 million, respectively, as follows:

Swaps

	2015		2014	
	Purchase	Sale	Purchase	Sale
Swaps				
To hedge the portfolio	Ps. 21,416	Ps. 21,668	Ps. 15,366	Ps. 15,674
To hedge securities or security assets	1,035	1,125	884	1,039
To hedge securities or security liabilities	31,373	36,250	24,358	28,133
	Ps. 53,824	Ps. 59,043	Ps. 40,608	Ps. 44,846

[1] The net amount between the purchase and sale prices is Ps. 5,219 and Ps. 4,238 in 2015 and 2014, respectively.

To hedge the loan portfolio:

	Type of swap	Base currency	Thousands in base currency: Principal	Interest	Total	Mexican pesos: 2015	2014
Purchase	Rate	USD	629,016	8	629,024	Ps.10,850	Ps. 6,952
Purchase	Rate	MXP.	10,549,182	16,841	10,566,023	10,566	8,414
						Ps.21,416	Ps.15,366

	Type of swap	Base currency	Thousands in base currency: Principal	Interest	Total	Mexican pesos: 2015	2014
Sale	Rate	MXP.	10,549,182	24,431	10,573,613	Ps.10,574	Ps. 8,425
						21,436	15,386
Valuation	Rate	USD			11,580	200	212
Valuation	Rate	MXP.			31,834	32	76
						Ps.21,668	Ps.15,674

To hedge security or bond assets:

	Type of swap	Source currency	Thousands in base currency: Principal	Interest	Total	Mexican pesos: 2015	2014
Purchase	Rate	USD	60,000	-	60,000	Ps. 1,035	Ps. 884
Sale	Rate	USD	60,000	1,579	61,579	Ps. 1,062	Ps. 908
Surcharge	Rate	USD			19,639	339	290
Valuation	Rate	USD			(15,983)	(276)	(159)
						Ps. 1,125	Ps. 1,039

To hedge security or bond liabilities:

	Type of swap	Source currency	Thousands in base currency: Principal	Interest	Total	Mexican pesos: 2015	2014
Purchase	Currency	MXP.	31,248,897	207,288	31,456,185	Ps.31,456	Ps.24,400
Valuation	Currency	MXP.			(82,851)	(83)	(42)
						31,373	24,358
Sale	Currency	USD	2,087,534	3,165	2,090,699	36,062	28,105
Valuation	Currency	USD			10,959	188	28
						Ps.36,250	Ps.28,133

At December 31, 2015 and 2014, the results of valuation of fair value hedge securities are as follows:

	2015: Derivative	Primary position	2014: Derivative	Primary position
Swaps	Ps. 24	(Ps. 22)	(Ps. 346)	Ps. 349

Options

	Underlying	Source currency	Thousands: Source currency	Amount Mexican pesos: 2015	2014
Purchase	Rate	MXP.	12,268	Ps. 12	Ps. 17
Purchase	Rate	USD	573	10	5
Valuation	Rate			3	(6)
				Ps. 25	Ps. 6

			Thousands	Amount Mexican pesos	
	Underlying	Source currency	Source currency	2015	2014
Sale	Rate	MXP.	14,007	Ps. 14	Ps. 8
Sale	Rate	USD	573	10	4
Valuation	Rate			1	(7)
				Ps. 25	Ps. 5

At December 31, 2015 and 2014, the Bank made loans with protected rates whose principal of USD 4 million and fair value of USD10 and USD 24 thousand, respectively, has been recorded in memorandum accounts.

Note 9 - Loan portfolio:

Policies and procedures for making, controlling and recovering loans

The loans manual contains the guidelines of the Credit Process (PDC from Spanish), which start with the definition of the target 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 Bank's credit policy framework.

- Business development

  1. Development and/or updating of programs and products

  2. Promotion management - first tier

     - Addendum No. 1 (July 18, 2014)
     - Addendum No. 2 (July 2, 2015)

  3. Promotion management - second tier

     - Addendum No. 1 (June 30, 2014)
     - Addendum No. 2 (October 30, 2015)

  4. First tier credit files management

  5. Second tier credit files management

     - Analysis and decisions

  6. Borrower Evaluation. Credit analysis - first tier

     - Addendum No. 1 (April 11, 2014).
     - Addendum No. 2 (July 18, 2014).

- Addendum No. 3 /July 1, 2015
- First tier financial program matrices

7. Borrower Evaluation. Legal report of opinion and/or Legal Status report

8. Borrower Evaluation. Credit analysis - second tier

   - Financial Program Matrixes – second tier

9. Authorization

   - Instrumentation and disbursement

     1. Contracting - first tier

     2. Contracting - second tier

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

   - Addendum No. 1 (June 5, 2015).

     1. Registration and release of credit lines, authorization of disposal and letters of credit - second tier

     2. Safeguarding of securities documentation - first tier

     3. 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).
        - Addendum No. 2 (June 24, 2015)

     4. Portfolio rating

   - Recovery

     1. Specialized Collections Function (FEC from Spanish) - first tier

     2. Specialized Collections Function (FEC) - second tier

     3. Collection management - first tier

4. Collection management - second tier

5. Application of allowance for loan losses and loan write-offs.

- Support processes

1. Credit regulations

2. Borrower investigations

Addendum No. 1 (September 10, 2015)

3. Preparation of General Reports of the Credit Process (PDC from 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 Bank 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 Bank's Risk Management department issues Risk Regulation Circulars that contain 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 qualify as one person. In accordance with article 57 of those Provisions, the regulatory limits applicable to the Bank in the fourth quarter of 2015, considering the 12.65% capital ratio, are 30% of the basic capital (Ps.5,447, equivalent to USD316 million at the Ps.17.2487 exchange rate in effect on December 31, 2015) per private sector borrower and 100% of the basic capital (Ps.18,157, equivalent to USD1,052.7 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 depreciation in the peso/dollar exchange rate or in case of reductions in the basic capital. Prudential limits applicable to the Bank in the quarter in question are Ps.4,630 (equivalent to USD268 million) per borrower of the private sector and Ps.15,434 (equivalent to USD895 million) for other types of borrowers.

However, the Bank 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 Ps.120 million dollars, the equivalent of Ps.2,070, which comprises 11.4% of the basic capital.

Per economic sector:

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

a. At December 31, 2015 and 2014, the portfolio is comprised as follows:

Portfolio in foreign currency restated to Mexican pesos:

	2015			2014		
Type of loan	Performing	Non-performing	Total	Performing	Non-Performing	Total
Commercial loans	Ps. 93,670	Ps. 172	Ps. 93,842	Ps. 67,860	Ps. 32	Ps. 67,892
Loans made to financial entities	7,333	8	7,341	6,356	10	6,366
Loans made to government entities	980	-	980	1,328	-	1,328
Subtotal	Ps. 101,983	Ps. 180	Ps. 102,163	Ps. 75,544	Ps. 42	Ps. 75,586

Portfolio in Mexican pesos:

	2015			2014		
Type of loan	Performing	Non-performing	Total	Performing	Non-Performing	Total
Portfolio in F.C.	Ps. 101,983	Ps. 180	Ps. 102,163	Ps. 75,544	Ps. 42	Ps. 75,586
Commercial loans	Ps. 37,777	Ps. 536	Ps. 38,313	Ps. 30,294	Ps. 547	Ps. 30,841
Loans made to financial entities	11,376	67	11,443	7,840	105	7,945
Consumer loans	14	4	18	17	5	22
Mortgages loans	111	6	117	125	9	134
Subtotal	49,278	613	49,891	38,276	666	38,942
Total	Ps. 151,261	Ps. 793	Ps. 152,054	Ps. 113,820	Ps. 708	Ps. 114,528

b. Non-performing loan portfolio at December 2015 and 2014:

	2015		2014	
Term	Amount	%	Amount	%
From 1 to 180 days	Ps. 725	91	Ps. 164	23
From 181 to 365 days	1	-	63	9
From 1 to 2 years	67	9	481	68
Total	Ps. 793	100	Ps. 708	100

c. Main movements in non-performing loan portfolio:

	2015	2014
Opening balance of non-performing loan portfolio	Ps.708	Ps.992
Difference per exchange rate from opening balance	7	5
Payments	(52)	(228)
Eliminations	(496)	-
Allocations to current portfolio	(4)	(451)
Cancellations due to renewals	-	(138)
Cancellations due to restructurings	(422)	(341)
Loan opening due to renewals	-	157
Loan opening due to restructurings	436	342
Allocations to past due portfolio	609	370
Others	7	-
Ending balance of non-performing loan portfolio	Ps.793	Ps.708

At December 31, 2015 and 2014, the non-performing loan portfolio balance is made up of 15 and 17 former employees, and of ten and eight companies, respectively. The ten companies were involved in a judicial or extrajudicial collection process in 2015, and one was under sustained payment in 2014.

d. Breakdown of the portfolio per economic sector at December 2015 and 2014:

	2015		2014	
Sector per economic activity	Amount	%	Amount	%
Agricultural	Ps. 351	0.23	Ps. 327	0.33
Mining	2,377	1.56	3,093	3.13
Food, beverages and tobacco	2,986	1.96	3,220	3.26
Textiles, clothing and leather industry	414	0.27	137	0.14
Lumber and wood products industry	194	0.13	81	0.08
Paper, print shops and publishing houses	2,158	1.42	1,415	1.43
Chemical substances and plastic or rubber items	10,431	6.86	10,218	10.33
Non-metal mineral products	7,183	4.72	5,946	6.01
Metal industry	3,175	2.09	2,796	2.83
Metal products, machinery and equipment	21,009	13.82	14,396	14.56
Construction industry	644	0.42	1,167	1.18
Electricity, gas and water	12,084	7.95	7,090	7.17
Trade	4,312	2.84	3,001	3.03
Tourism	24,515	16.12	17,670	17.87
Transportation and communication	14,201	9.34	7,581	7.67
Real property and lease services	23,633	15.54	18,630	18.84
Professional, personal and social services	1,800	1.18	1,405	1.42
Unclassified services	559	0.37	410	0.41
Individuals	135	0.10	156	0.16
(Valuation of primary position portfolio at risk)	129	0.09	150	0.15
Private sector	132,290	87.01	98,889	86.34
Government sector	980	0.64	1,328	1.16
Financial sector	18,784	12.35	14,311	12.50
Total	Ps. 152,054	100.00	Ps. 114,528	100.00

e. Loans restructured and renewed in:

	2015			2014		
	Portfolio			Portfolio		
Type of loan	Current	Non-Performing	Total	Current	Non-Performing	Total
Commercial loans:						
Restructured	Ps. 18,543	Ps. 489	Ps. 19,032	Ps. 12,338	Ps. 52	Ps. 12,390
Renewed	317	9	326	271	15	286
Mortgages loans:						
Restructured	21	3	24	24	3	27
Consumer loans:						
Restructured	2	-	2	2	-	2
Total	Ps. 18,883	Ps. 501	Ps. 19,384	Ps. 12,635	Ps. 70	Ps. 12,705

On October 31, 2013, a Debt Recognition, Interest Capitalization and Reorganization 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 15 years through quarterly payments. At December 31, 2015 and 2014, the equity balance is USD 121 million and USD130 million, respectively.

f. Additional guarantees and concessions issued for restructured loans.

In 2015, additional guarantees or concessions were issued for restructured loans in the amount of Ps.621.1 (Ps.816 in 2014).

g. Interest and commissions:

	2015			2014		
Type of loan	Interest collected	Commissions collected	Total	Interest collected	Commissions collected	Total
Commercial loans	Ps. 5,048	Ps. 136	Ps. 5,184	Ps. 3,688	Ps. 81	Ps. 3,769
Loans made to financial entities	825	-	825	668	-	668
Loans made to government entities	65	-	65	89	-	89
Consumer loans	1	-	1	1	-	1
Mortgages loans	4	-	4	5	-	5
Total	Ps. 5,943	Ps. 136	Ps. 6,079	Ps. 4,451	Ps. 81	Ps. 4,532

h. Commissions on initial granting of loans

Commissions collected upon initial granting of loans not yet deferred at December 31, 2015 and 2014 total Ps.484 and Ps.392, 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, 2015 and 2014 is 3.85 years and 2.52 years, respectively.

i. Rediscounts

Rediscounts in 2015 and 2014 totaled Ps.18,130 and Ps.13,521, respectively.

j. Breakdown of problem loans and non-problem loans

Following is the breakdown of total loans, classified as problem and non-problem, performing and non-performing:

	2015		
	Portfolio		
	Performing	Non-performing	Total
Non-problem portfolio	Ps. 176,371	Ps. -	Ps. 176,371
Problem portfolio.	1,472	781	2,253
Past-due interest	-	2	2
Total rated portfolio	Ps. 77,843	Ps. 783	Ps. 178,626

	2014		
	Portfolio		
	Performing	Non-performing	Total
Non-problem portfolio	Ps. 132,665	Ps. 6	Ps. 132,671
Problem portfolio.	481	674	1,155
Past due interest		15	15
Total rated portfolio	Ps. 133,146	Ps. 695	Ps. 133,841

1. Restated at the exchange rates in effect on December 31, 2015 and 2014.
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 loan 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, 2015 and 2014.

This balance was determined based on the loan portfolio rated at December 31, 2015 and 2014, 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, 2015

Rating	Commercial	Government entities	Financial intermediaries	Guarantees	Housing portfolio	Consumer loan portfolio	Total
A-1	Ps. 119,429	Ps. 863	Ps. 12,260	Ps. 25,054	Ps. -	Ps. -	Ps. 157,606
A-2	8,646	-	5,874	1,352	-	-	15,872
B-1	573	-	37	851	-	6	1,467
B-2	45	-	132	-	-	4	181
B-3	916	-	214	35	97	-	1,262
C-1	-	-	91	-	1	2	94
C-2	-	-	-	-	2	-	2
D	1,354	-	75	-	2	-	1,431
E	824	-	-	-	15	5	844
Subtotal	131,787	863	18,683	27,292	117	17	17,759
Past-due interest	2	-	-	-	-	-	2
Total	Ps. 131,789	Ps. 863	Ps. 18,683	Ps. 27,292	Ps. 117	Ps. 17	Ps. 178,761

Does not include the rating-exempt portfolio of Ps.126.

Allowance required per risk group at December 31, 2015

Rating	Commercial	Government entities	Financial intermediaries	Guarantees	Housing portfolio	Consumer loan portfolio	Total
A-1	Ps. 618	Ps. 4	Ps. 64	Ps. 121	Ps -	Ps. -	Ps. 807
A-2	102	-	77	16	-	-	195
B-1	10	-	1	15	-	-	26
B-2	1	-	3	-	-	-	4
B-3	39	-	9	1	2	-	51
C-1	-	-	6	-	-	-	6
C-2	-	-	-	-	-	-	-
D	597	-	34	-	-	-	631
E	686	-	-	-	11	4	701
Subtotal	2,053	4	194	153	13	4	2,421
Past-due interest	2		-	-	-	-	2
Total	Ps. 2,055	Ps. 4	Ps. 194	Ps. 153	Ps. 13	Ps. 4	2,423
Additional allowances							-
Total allowances							Ps. 2,423

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

Rating	Commercial	Government entities	Financial intermediaries	Guarantees	Housing portfolio	Consumer loan portfolio	Total
A-1	Ps. 85,642	Ps. 1,032	Ps. 10,610	Ps. 18,191	Ps. -	Ps. -	Ps. 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	Ps. 98,427	Ps. 1,179	Ps. 14,132	Ps. 20,103	Ps. 134	Ps. 22	Ps. 133,997

Does not include the exempt portfolio of Ps. 152.

Allowance required per risk group at December 31, 2014

Rating	Commercial	Government entities	Financial intermediaries	Guarantees	Housing portfolio	Consumer loan portfolio	Total
A-1	Ps. 433	Ps. 5	Ps. 62	Ps. 83	Ps. -	Ps. -	Ps. 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	Ps. 1,261	Ps. 7	Ps. 169	Ps. 109	Ps. 17	Ps. 5	1,568
Additional Allowances							105
Total allowances							Ps. 1,673

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

	2015	2014
Balances at beginning of year	Ps. 1,673	Ps. 1,448
Increase/(release), net	1,138	167
Applications	(496)	
Pardons	(2)	(3)
Exchange effect	110	61
Ending balances	Ps. 2,423	Ps. 1,673

The allowance for loan losses set up by the Bank includes Ps. 2 and Ps. 15 at December 31, 2015 and 2014, respectively, as a supplement to reserve 100% past due interest at the closing of each of those years.

In rating the loan portfolio in 2015 and 2014, the Bank applied the methodologies set forth in the General Provisions Applicable to Credit Institutions for each year.

In 2015, loan reserves comprise 1.6% of the total portfolio and cover3.0 times the non-performing loan portfolio; in 2014, those factors were 1.5% and 2.4 times, respectively.

Criterion B-6 "Loan portfolio" of Exhibit 33 of the Sole Bank Circular establishes that the Bank may opt to eliminate from its assets any past due loans that have been reserved 100%. In 2015, the Bank applied the balance of 2 loans against the allowance for loan losses for a total of Ps.494. In 2014, it did not apply the loan portfolio against the allowance for loan losses.

The amounts recovered from the loan portfolio eliminated from assets in prior years were Ps.312 and Ps.292 in 2015 and 2014, respectively, and were recorded under other operating income (expenses).

The balance of the rating-exempt portfolio (Federal Government and Development Banking) is Ps. 126 and Ps.152 in 2015 y 2014, respectively.

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

Interest income recognized in the moment of capitalization in 2015 and 2014 totals Ps.70 and Ps.9, respectively.

m. Credit lines

The amount of opening credit lines recorded in memorandum accounts at December 31, 2015 and 2014 is Ps.8,948 and USD5,365, and Ps.5,156 and USD5,675, respectively.

Note 10 - Other accounts receivable:

This caption is made up as follows:

	2015	2014
Loans made to Bank personnel	Ps.2,132	Ps. 2,028
Debtors for collateral given in cash	5,178	2,731
Debtors for settlement of currency purchase and sale operations	319	96
Assigned accounts receivable	32	55
Sundry debtors	59	47
Debtors for commissions on current operations	12	11
Value added tax	7	6
Debtors for settlement of repurchase operations	1	1
Write-off allowance	(21)	(37)
Total	Ps.7,719	Ps. 4,938

At December 31, 2015 and 2014, the Bank has accounts receivable in foreign currency restated to Mexican pesos of Ps.11 and Ps.27, respectively.

Note 11 - Foreclosed assets:

a. The breakdown of these goods at December 31, 2015 and 2014 is shown below:

Item	Mexican pesos	USD million	Restated Mexican pesos	2015	2014
Movable property	Ps. 93	Ps. -	Ps. -	Ps. 93	Ps. 33
Securities	26	9	159	185	162
Collection rights	24	-	-	24	24
Subtotal	143	9	159	302	219
Real property:					
Rustic land	112	-	-	113	113
Urban land	218	-	-	217	217
Condominiums	4	-	-	4	4
Industrial plants	323	-	-	323	282
Commercial establishments	124	-	-	124	124
Other	44	-	-	44	19
Subtotal	825	-	-	825	759
Goods held for sale:					
Real property	142	-	-	142	69
Movable property	1	-	-	1	1
Subtotal	143	-	-	143	70
	1,111	9	159	1,270	1,048
Less: set up reserves	1,069	9	159	1,228	1,030
Total	Ps. 42	Ps. -	Ps. -	Ps. 42	Ps. 18 [1]

[1] Relates to the balance of goods held for sale worth Ps.143 and reserves of Ps.101 (Ps.70 and Ps.52 in 2014).

b. Allowance for foreclosed assets or assets received as payment in kind

The allowance of foreclosed assets or goods received as payment in kind at December 31, 2015 and 2014 was as follows:

	2015	2014
Real property	Ps. 825	Ps. 759
Securities	185	162
Movable property	93	33
Collection rights	24	24
Goods held for sale	101	52
Total reserve	Ps. 1,228	Ps. 1,030

The charge to income for this item was Ps.243 and Ps.82 at December 31, 2015 and 2014, respectively.

Note 12 - Property, furniture and equipment:

At December 31, 2015 and 2014, this caption is comprised as follows:

	Useful life	2015	2014
Building	20 years	Ps.476	Ps.476
Furniture and equipment	10 years	510	758
Computer equipment	3.3 years	191	361
Transportation equipment	4 years	3	13
		1,180	1,608
Less: accumulated depreciation		(847)	(1,349)
		333	259
Constructions in progress		2	1
Land		82	82
		Ps.417	Ps.342
Installation expenses		Ps. -	Ps.110
Accumulated amortization			107
		-	3
Total		Ps.417	Ps.345

The charge to income for depreciation and amortization in 2015 and 2014 was Ps.7 and Ps.10, respectively.

In 2015, subsidiary DIESA cancelled the effects of Statement C-15 "Impairment in the value of long-lived assets and disposal thereof", since the recoverable value of those assets is above their book value.

Note 13 - Permanent investments:

a. The main companies for which the equity method was used, and the Bank's shareholding in those companies, at December 31, 2015 and 2014, are as follows:

	Shareholding %		
Company	2015	2014	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)	6.89	7.25	Investment fund

b. The amounts used to recognize the equity method at December 31, 2015 and 2014 are shown below:

Company	Capital stock	Prior years' income	(Loss) income for the period	2015 Total	2014 Total
CESCEMEX	Ps. 93	Ps. 10	(Ps. 9)	Ps. 94	Ps. 103
CMIC	313	43	10	366	344
Other				34	30
Total				Ps. 494	Ps. 477

c. At December 31, 2015 and 2014, the assets, liabilities and main captions of the statement of income of associated companies are as follows:

	2015			
	Total			
	Assets	Liabilities	Income	Expenses
CESCEMEX	Ps. 334	Ps. 143	Ps. 61	Ps. 79
CMIC	5,470	158	496	344

	2014			
	Total			
	Assets	Liabilities	Income	Expenses
CESCEMEX	Ps. 329	Ps. 119	Ps. 9	Ps. 11
CMIC	4,875	122	410	316

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 is Ps.2 in 2015 and Ps.3 in 2014.

Note 14 - Time deposits:

Time deposits at December 31, 2015 and 2014 are made up as follows:

	2015	2014
Fixed-term deposits MXP	Ps. 78	Ps. 55
Promissory notes with interest payable at maturity	75,007	61,795
Deposits for Special Savings loan	931	829
Fixed-term deposits F.C.	23,432	11,757
Valuation of hedging swaps, net	-	1
Total	Ps. 99,448	Ps. 74,437

Following are the features of promissory notes payable at maturity in 2015 and 2014:

Issue	Term	Average rate	2015	2014
Promissory notes	1 to 29 days	3.35%	Ps.22,714	Ps.48,869
Promissory note	30 to 179 days	3.44%	49,294	5,836
Promissory note	180 to 365 days	3.57%	2,999	7,090
			Ps.75,007	Ps.61,795

Term deposits payable to related parties in 2015 and 2014 were of Ps. 74.68 and Ps.105.5 and interest paid was Ps.2.01 and Ps.3.6, respectively.

Following are the features of fixed-term deposits in F.C. for 2015 and 2014:

Term	Rate	Initial amount	Accrued interest	2015	2014
1 to 29 days	From 0 to 0.30%	Ps. 17,819	Ps. 1	Ps. 17,820	Ps. 8,570
30 to 179 days	From 0.20 to 0.45%	997	-	997	102
180 to 360 days	From 0.40 to 0.85%	1,636	7	1,643	1,669
More than 360	From 0.50 to 1.75%	2,961	11	2,972	1,416
		Ps. 23,413	Ps.19	Ps. 23,432	Ps. 11,757

Note 15 - Debt instruments issued:

At December 31, 2015 and 2014, this caption is comprised as follows:

	2015	2014
Bank bonds	Ps. 17,361	Ps. -
Debt instruments	15,123	21,645
Valuation of hedging swaps, net	(454)	(25)
	Ps. 32,030	Ps. 21,620

The features of bank bonds are as follows:

			2015		
Rate	Term days	Maturity	Amount	Interest	Total
4.375%	7,300	14/10/25	Ps.17,249	Ps.159	Ps.17,408
Placement discount					(47)
					Ps.17,361

On October 6, 2015, after an absence of over a decade, the Bank returned to the International Markets with the issue of a USD 1,000 million bond. Despite its absence and an adverse, highly volatile environment, it was able to take advantage of a small window of opportunity and it received an excellent welcome from investors in North America, Latin America and Europe.

There was an over demand for the issue of 5 times the USD500 million originally offered, which made it possible to increase the bond by USD500 million and obtain high liquidity on an inaugural bond. With that issue, the Bank was able to back up its financial structure by reducing the dollar liquidity breach and strengthening its image and position in the international markets. The general terms of the issue are as follows:

Amount placed:	USD.1,000 million
Coupon rate:	4.375% fixed annual
Yield:	4.410%
Price:	99.719
Term:	10 years
Format:	144A and Regulation S
Date of placement:	October 6, 2015
Date of issue:	October 14, 2015
Payment of principal:	At maturity
Demand:	5 times the amount originally offered

The total amount of the issue was applied a floating rate at the date of issue through swaps operations carried out in the following terms:

USD.600 million subject to Libor_{3m} + 233.45 bp.
USD.400 million subject to Libor_{6m} + 221.00 bp.

The additional annual cost of issue expenses is approximately 4.9 bp.

Following are the features of the debt securities:

			2015		
Rate	Term days	Maturity	Amount	Interest	Total
3.60% to 4.80%	1,455	23/03/16	Ps 5,000	Ps -	Ps 5,000
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	14	2,014
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
			Ps. 15,000	Ps.123	Ps. 15,123

			2014		
Rate	Term days	Maturity	Amount	Interest	Total
3.50% to 8.0%	1,456	20/03/15	Ps. 5,000	Ps. 2	Ps. 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
			Ps. 21,500	Ps.145	Ps. 21,645

Note 16 - Interbank loans and loans from other entities:

The balances of interbank loans and loans from other entities at December 31, 2015 and 2014 are made up as follows:

	2015	2014
Commercial credit lines	Ps. 33,944	Ps. 35,097
Guaranteed credit lines	4,150	1,866
Federal Government loans	1,503	1,400
Implementing agent	888	1,359
Official bodies	517	887
Development banking	727	494
Call money operations	1,529	463
Interest provisions	72	41
	Ps. 43,330	Ps. 41,607

At December 31, 2015, this caption is comprised as follows:

a. Commercial credit lines

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
Foreign banks	USD	0.8206 to 1.39215%	1,579	Ps.27,227
Domestic banks	M.N.	3.3658 to 3.5825%	6,717	6,717
				Ps.33,944

b. Guaranteed credit lines

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
Foreign banks	USD	1.2005to 3.9%	240	Ps. 4,143
Foreign banks	EURO	2.00%	1	7
				Ps. 4,150

c. Federal Government loans

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
Domestic banks	MXP	3.03%	59	Ps. 59
Domestic banks	USD	0.2400 to 1.9466%	85	1,444
				Ps. 1,503

d. Implementing agent.

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
International bodies and foreign banks	USD	0.9439 to 1.45%	51	Ps.888

e. Official bodies.

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
International bodies	USD	1.22%	30	Ps.517

f. Development banking

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
Domestic banks	USD	0.416 to1.8705 %	14	Ps.727

g. Call Money

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
Domestic banks	USD	0.25 to 0.40%	89	Ps. 1,529

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

a. Commercial credit lines

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
Foreign banks	USD	0.5491% to 1.0326%	2,381	Ps.35,097

b. Guaranteed credit lines

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
Foreign banks	USD	0.7021% to 1.3399%	126	Ps. 1,859
Foreign banks	Euro	2%	1	7
				Ps. 1,866

c. Federal Government loans

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
Domestic banks	MXP	2.76%	57	Ps. 57
Domestic banks	USD	0.155 to 6.00 %	91	1,343
				Ps. 1,400

d. Implementing officer.

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
International bodies and foreign banks	USD	0.78 to 0.97 %	92	Ps. 1,359

e. Official bodies

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
International bodies	USD	0.7531 to 0.7664 %	60	Ps.887

f. Development banks

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
Domestic banks	USD	0.03 to 1.59615%	34	Ps.494

g. Call Money

Counterparty	Currency	Rate	Source currency millions	Restated to Mexican pesos
Domestic banks	USD	0.15 to 0.20%	31	Ps.463

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

Note 17 - Income Tax (IT) and Employees' Statutory Profit Sharing (ESPS) payable and deferred:

New Income Tax (IT) Law

In October 2013, Congress approved issuance of a new Income Tax Law (new ITL) which came into force on January 1, 2014, thus 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 of 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 29% and 28% rates for 2014 and 2015, respectively.

a. IT

The Bank and its subsidiary determined a tax result of Ps.2,079 in 2015 and Ps.1,883 in 2014. 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 are greater than the tax losses, the difference will be the IT base tax result.

In 2008, the Bank paid Ps.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 Bank 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 Bank and its subsidiary 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 presented in 2015 are those recorded before the annual tax return.

	2015	2014
IT incurred	(Ps. 628)	(Ps 565)
Deferred IT	340	128
Total deferred taxes in the statement of income	(Ps. 288)	(Ps. 437)

At December 31, 2015 and 2014, the main temporary differences on which deferred income tax is recorded are as follows:

	2015	2014
Investments in shares	(Ps. 347)	Ps (303)
Advance collections, investments, repurchases and DFI	551	430
Allowance for other debts and foreclosed assets	131	141
Liabilities and disposals	1,300	195
Property, machinery and equipment	(194)	(9)
Valuation of investments, repurchases and DFI	109	77
Accounts receivable from commissions	(10)	(10)
Prepayments	(60)	(8)
	1,480	513
Applicable IT rate	30%	30%
Deferred IT	Ps. 444	Ps. 154

Following is the reconciliation between the rate incurred and the effective income tax rate for 2015 and 2014:

	2015	2014
Income before income taxes	Ps. 1,150	Ps. 1,775
Income tax incurred	30%	30%
IT at statutory rate		
Plus (less) effect on IT of the following items:	Ps. 345	Ps. 532
Non-book tax income	127	129
Non-tax book deductions	239	373
Non-book tax deductions	(192)	(233)
Non-tax book income	(231)	(364)
IT recorded in income	Ps. 288	Ps. 437
Effective IT rate	25.0%	24.6%

The effective IT rate for 2015 and 2014 increased due to the increment in the assignment of loan losses. There was also a change in the tax treatment of the loan loss reserve recorded in 2015, which gave rise to an increase in non-deductible items, and consequently the tax base also increased.

b. ESPS

The Bank is required to pay ESPS, which is calculated applying the procedures established in the IT Law.

The new IT Law was issued in October 2014 and comes into force on January 1, 2015. The new IT Law modifies the procedure to determine the tax base for calculating ESPS, which must now be determined on the basis of the provisions of article 9 of the IT Law, which considers the tax base to be the taxable income for IT purposes, without subtracting the ESPS paid nor the amortized tax losses, and subtracting the amount of non-deductible exempt salaries, as well as the historic tax depreciation that would have been determined had the immediate deduction of fixed assets in years prior to 2015 not been applied.

In 2015 and 2014, the Bank determined ESPS payable of Ps.229 and Ps.205, respectively. The procedure to calculate the ESPS tax base is taken from the provisions of article 9 of the IT Law.

The ESPS provisions for 2015 and 2014 are analyzed below and have been recorded under Administration and Promotion Expenses:

	2015	2014
ESPS payable	Ps. 229	Ps. 205
Deferred ESPS	(114)	(58)
Total	Ps. 115	Ps. 147

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

	2015	2014
Valuation of investments, repurchases and DFI	Ps. 109	Ps. 77
Accounts receivable from commissions	(10)	(10)
Investments in shares	(347)	(303)
Property, machinery and equipment	(15)	(9)
Prepayments	(60)	(8)
Liabilities and disposals	1,300	195
Advance collections, investments, repurchases and DFIs	551	430
Allowance for other debts and foreclosed assets	131	141
Base	1,659	513
Applicable ESPS rate	10%	10%
Deferred ESPS asset (liability)	Ps. 166	Ps. 51

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

At December 31, 2015, DIESA had incurred tax losses that can be offset against tax profits not yet accrued. The amounts restated in accordance with the current provisions are:

Year of loss	Tax loss	AT	Expiration date
2005	-	10	2015
2006	-	10	2016
2007	-	7	2017
2008	5	-	2018
2010	2	-	2020
2011	4	-	2021

Note 18 - Sundry creditors and other accounts payable:

At December 31, 2015 and 2014, this item is comprised as follows:

	2015	2014
Liabilities arising from bank services rendered	Ps. 852	Ps. 667
Provisions for exposure to legal and operating risk	648	527
Provisions for sundry obligations	113	93
Other sundry creditors	143	107
Total	Ps.1,756	Ps. 1,394

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

	2015	2014
Balances at beginning of year	Ps. 527	Ps. 360
Increases	79	151
Cancellations	(24)	(18)
Applications	-	(8)
Exchange effect	66	42
Ending balances	Ps. 648	Ps. 527

Note 19 - Employee benefits:

a. Defined benefit pension plans

The Bank 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 year-end 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 and sports fees.

The "Special savings loan Program(PEA) " consists of a loan offered by the Bank to its retired and active personnel that can only be used as an investment (time deposit) in the Bank, thus guaranteeing a minimum yield with a difference payable by the Bank against the funding rate. As of 2008, the Bank 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 2015 and 2014, the investment of the funds covers the reserves for labor obligations, with an excess of Ps.2 and Ps.2 in the Defined Benefit Pension Fund, respectively. Said excess was used in 2015 and 2014 to cover the contribution as follows: in 2015, Ps.1 was used and Ps.337 was contributed; in 2014 Ps.248 was used and Ps.89 was contributed. In 2015 and 2014, Ps.71 and Ps.65 were contributed to the PEA fund, respectively.

b. Defined contribution pension plan

As of January 1, 2007, the Bank 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 provides for better control over plan costs and liabilities, and makes it possible to maintain a proper cost-benefit ratio for the Bank and its employees, and establish clear contribution or retirement rules. At December 31, 2015 and 2014, the Defined Contribution Trust was of Ps.223.3 and Ps.213.9, respectively.

At December 31, 2015, the Bank had the following balances resulting from the actuarial valuation performed by an independent expert:

	2015			
	Retirement pensions	Seniority premiums	Retirement benefits other than pensions	PEA and financial cost of loans
Obligation for acquired benefits	Ps. 6,918	Ps. 1	Ps. 4,033	Ps. 2,452
Obligation for defined benefits	(Ps. 8,283)	(Ps. 17)	(Ps. 4,835)	(Ps. 3,051)
Plan assets	6,814	13	4,040	2,711
Situation of the fund	(1,469)	(4)	(795)	(340)
Past services for plan changes	-	-	(3)	-
Actuarial loss (differences in assumptions)	1,469	6	798	340
Projected net assets	Ps. -	Ps. 2	Ps. -	Ps. -
Net cost for the period	Ps. 1,161	Ps. 3	Ps. 702	Ps. 443
Net cost for the period:				
Labor cost	Ps. 64	Ps. 1	Ps. 44	Ps. 36
Financial cost	555	1	338	210
Expected yields	(482)	(1)	(281)	(186)
Annual amortization	45	-	33	9
Effect of early retirement	15	-	6	2
	Ps. 197	Ps. 1	Ps. 140	Ps. 71
Contributions to the fund	Ps. 197	Ps. -	Ps. 140	Ps. 71
Payments	473	-	212	140
Past services due to plan changes	N/A	N/A	4.57 years	N/A
Actuarial loss (differences in assumptions)	6.55 years	9.80 years	11.66 years	6.55 years
Actuarial assumptions:				
Estimated discount rate	7.12%	7.12%	7.12%	7.12%
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	7.12%	7.12%	7.12%	7.12%
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			Ps. 478	
Accumulated obligation			6,009	
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			Ps. 358	
Accumulated obligation			4,625	

At December 31, 2014, the Bank had 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	Ps. 6,842	Ps. -	Ps. 4,111	Ps. 2,351
Obligation for defined benefits	(Ps. 8,172)	(Ps. 16)	(Ps. 4,926)	(Ps. 3,100)
Plan assets	7,038	16	4,048	2,729
Situation of the fund	(1,134)	-	(878)	(371)
Past services due to plan changes	-	-	(4)	-
Actuarial loss (differences in assumptions)	1,134	2	882	371
Projected net assets	Ps. -	Ps. 2	Ps. -	Ps. -
Net cost for the period:				
Labor cost	Ps. 64	Ps. 1	Ps. 40	Ps. 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
	Ps. 234	Ps. 1	Ps. 102	Ps. 65
Contributions to the fund	Ps. 61	Ps. -	Ps. 28	Ps. 65
Payments	446	1	179	128
Past services due to 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			Ps. 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			Ps. 347	
Accumulated obligation			4,530	

Note 20 - Stockholders' equity:

a. The capital stock at December 31, 2015 and 2014 was comprised as follow:

	2015			
	Number of CAP's	Nominal value	Restatement effects	Total
Subscribed:				
Series A	92,460,098	Ps. 9,246	Ps. 627	Ps. 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 Bank's governing body		7,550	-	7,550
Share premium		71	10	81
Capital reserve		(547)	688	141
Prior years' income (loss)		(1,867)	(1,158)	(3,025)
Result from valuation of available for sale securities		(5)	-	(5)
Result from holding non-monetary assets		-	(25)	(25)
Net income		788	5	793
Total	140,091,058	Ps.19,999	Ps. 470	Ps.20,469

	2014			
	Number of CAP's	Nominal value	Restatement effects	Total
Subscribed:				
Series A	92,460,098	Ps. 9,246	Ps. 627	Ps. 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 Bank's governing body		5,350	-	5,350
Share premium		71	10	81
Capital reserve		(547)	688	141
Prior years' income (loss)		(3,206)	(1,134)	(4,340)
Result from valuation of available for sale securities		(5)	-	(5)
Result from holding non-monetary assets		-	(25)	(25)
Net income		1,339	(24)	1,315
Total	140,091,058	Ps.17,011	Ps. 465	Ps.17,476

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

Series "A" comprising at all times 66% of the Bank'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 Bank. 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 equity, after subtracting the restated capital stock contributed and restated tax profits, would be subject to 30% IT payable by the Bank. At December 31, 2015 and 2014, the balances of the tax accounts related to the Bank's stockholders' equity known as Capital Contributions Account (CUCA) and After-tax Earnings Account (CUFIN) were as follows:

	2015	2014
CUCA	Ps.43,984	Ps. 43,067
CUFIN	7,918	6,702

Subsidiary DIESA had CUCA of Ps. 610 and Ps.597, and CUFIN of (Ps.335) and Ps.306 in 2015 and 2014 respectively.

d. On December 14, 2015, the Board of Directors authorized the Bank's management to request a capital contribution of up to Ps. 2,200 from the executive power, through the SHCP. A Ps. 2,200 contribution was received on December 28, 2015, which is required to support the growth in the volume of Business Banking (First Tier) and Development Banking (Second Tier) operations, and to back up the capital base and maintain a prudential level of capitalization.

In 2014, the Bank requested a capital contribution of up to Ps.2,000 to be able to support the growth in the volume of loan transactions and keep a prudential level of capitalization. The contribution received on December 1, 2014 was of Ps.1,800.

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 those assets.

The capital ratio at December 31, 2015 and 2014 is as follows:

	2015	2014
Net capital	Ps. 20,225	Ps. 17,239
Basic	20,225	17,239
Supplementary	-	-
Assets at risk	159,441	132,007
Loans	138,931	108,107
Market	13,182	17,741
Operational	7,329	6,159
Capital ratio (%)	12.68	13.06

At December 31, 2015 and 2014, the Bank complies with the above requirement by maintaining a capital ratio of 12.68 % and 13.06%, respectively. Said ratio was calculated based on the rules for determining capitalization requirements published by the SHCP in the Official Gazette of December 28, 2005, and its respective amendments.

The capital ratio is reported monthly to the Comprehensive Risk Management Committee and quarterly 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 those evaluations in Mexico, which was established by the Basel Committee for Bank Supervision. The aforementioned 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, 2015 and 2014 are comprised as follows:

	2015		
	Mexican pesos	Foreign currency (restated to Mexican pesos)	Total
Loan portfolio income	Ps. 2,631	Ps. 3,448	Ps. 6,079
Interest from investments in securities	4,675	132	4,807
Interest from cash and cash equivalents	103	29	132
Income from margin accounts	111	-	111
	Ps. 7,520	Ps. 3,609	Ps. 11,129

	2015		
	Mexican pesos	Foreign currency (restated to Mexican pesos)	Total
Expenses for repurchase operations	Ps. 4,122	Ps. -	Ps. 4,122
Interest from time deposits	1,807	58	1,865
Interest from bonds	932	155	1,087
Interest from interbank loans and loans from other entities	10	480	490
Result of valuation of DFIs	(400)	-	(400)
Other items	2	17	19
	Ps. 6,473	Ps. 710	Ps. 7,183
Financial margin	Ps. 1,047	Ps. 2,899	Ps. 3,946

	2014		
	Mexican pesos	Foreign currency (restated to Mexican pesos)	Total
Loan portfolio income	Ps. 2,257	Ps. 2,276	Ps. 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
	Ps. 7,171	Ps. 2,398	Ps. 9,569
Expenses for repurchase operations	Ps. 3,995	Ps. -	Ps. 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
	Ps. 6,207	Ps. 343	Ps. 6,550
Financial margin	Ps. 964	Ps. 2,055	Ps. 3,019

b. Commissions and fees collected

	2015	2014
Loan operations	Ps. 396	Ps. 262
Collateral guarantees	260	138
Trusts	38	39
Letters of credit	22	17
Appraisals	9	7
Other commissions and fees collected	1	1
	Ps. 726	Ps. 464

Total operating income

c. Intermediation income (loss)

	2015	2014
Result for valuation of bonds and metals	Ps. 47	(Ps. 16)
Income from the sale of securities	201	293
Income from purchase of currencies	21	2
Total	Ps. 269	Ps. 279

Operating income (loss)

d. Other operating income (expenses)

	2015	2014
Amounts recovered	Ps. 362	Ps. 322
Cancellation of allowance for foreclosed assets	53	115
Interest charged on loans made to personnel	91	86
Profit on sale of property, furniture and equipment	1	12
Profit on sale of foreclosed assets	1	3
Write off for cancellation of foreclosed assets	(243)	(82)
Risk management allowance	(70)	(124)
Payment of public use taxes to the Federal Government*	(1,500)	(600)
Other items	98	(38)
Total	(Ps.1,207)	(Ps. 306)

* The Executive Power, acting under the authority conferred by Article 10 of the Federal Income Law in effect, issued ruling 102-B-078 through the SHCP on December 8, 2015 assessing secondary taxes of Ps.1,500 payable by the Bank, which was applied to income before taxes. The respective payment was made on December 9, 2015. On November 3, 2014, the Bank paid secondary taxes in the amount of Ps.600 to respond to ruling 102-B-063 issued by the SHCP on October 27, 2014.

Note 22 - Guarantees granted:

At December 31, 2015 and 2014, the following guarantees granted were issued:

Purpose	2015	2014
Partially guarantee payment of capital and/or interest of up to 35% of a debt instruments issue of no more than Ps.2,500, over a seven year term, in order to improve the rating assigned to debt instruments issued by the sector.	Ps. -	Ps. 785
Partially guarantee payment of capital and/or interest of up to 35% of a debt instruments issue of no more than Ps.1,000, over a seven year term, in order to improve the rating assigned to debt instruments issued by the sector.	-	300
Partially guarantee payment of capital and/or interest of up to 33% of a debt instruments issue of no more than Ps.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 instruments issues totaling Ps.1,400, over a term of up to seven years, in order to improve the rating assigned by rating agencies to this type of debt instruments.	-	277
Partially guarantee up to 33% of payment of capital plus the first period of interest of a program of debt instruments totaling Ps.2,500 MP, over a term of no more than 10 years, in order to improve the rating assigned by rating agencies to this type of debt instruments.	940	940
Partially guarantee up to 36% of payment of capital plus the first period of interest of a program of debt instruments totaling Ps.500, over a term of no more than seven years, in order to improve the rating assigned by rating agencies to this type of debt instruments.	190	190
Guarantees issued in Mexican pesos	Ps. 1,679	Ps. 3,041

Note 23 - Contingent assets and liabilities:

Contingent asset and liabilities include guarantees issued by the Bank to financial intermediaries; contingencies arising from commercial, labor, civil and administrative suits that according to Note 28 "Comprehensive risk management" are recorded depending on their status; and invoices subtracted from hedged financial factoring operations.

Assets represent recovered casualties (paid guarantees), contributions not yet made to the Fund of Funds (capital at risk), and bonds and checks received as guarantees by service vendors.

The balances at December 31, 2015 and 2014 are as follows:

	2015	2014
Contingent liabilities:		
Responsibilities for guarantees issued	Ps. 9,777	Ps.8,200
Legal risk management	886	758
International factoring (Invoices)	377	202
	Ps.11,040	Ps.9,160
Contingent assets:		
Financial factoring (invoices)	377	202
Responsibilities for future contributions	67	58
Casualties recovered (guarantees paid)	204	-
Construction works and services	-	8
	Ps. 648	Ps. 268

Other control accounts include: counter-guarantee funds of Ps.3,775 and loans eliminated as per criterion B-6 "Loan Portfolio", in litigation for Ps.6,198.

As a result of a favorable ruling issued in 2014, the Bank canceled the book entry for contingencies arising from the sale of foreclosed assets worth Ps.1,795.

Note 24 - Goods in trust or mandate:

At December 31, 2015 and 2014, the Bank's fiduciary division had the following trusts:

	2015	2014
Guarantee trusts	Ps. 19,026	Ps. 20,097
Administration trusts	28,528	27,073
Investment trusts	-	297
Transfer of ownership trusts	254	10,906
	47,808	58,373
Mandates	4,903	4,853
Total	Ps. 52,711	Ps. 63,226

Trust management income was of Ps.38 in 2015 and Ps.39 in 2014.

Administration Trust balances include Pension Fund Trust balances, which at December 31, 2015 and 2014 were as follows: a) Defined Benefits Ps.10,866 and Ps.11,102 and b) Defined Contributions Ps.223 and Ps.214, and Special Savings Loans and Financial Cost of Loans of Ps.2,711 and Ps.2,729, respectively.

Note 25 - Assets in custody or under administration:

At December 31, 2015 and 2014, custody and administration operations were made up as follows:

	2015			2014		
	USD millions	Euros millions	Mexican pesos	USD millions	Euros millions	Mexican pesos
Operations carried out on behalf of third parties in repurchase operations			Ps. 1,414	-	-	Ps. 1,282
Operations carried out on behalf of third parties in direct operations			3,102	-	-	4,108
Other instruments under Administration*	35,091	8	774,397	32,230	8	601,542
Other securities under administration			6	28	-	418
Special savings loan			929	-	-	827
	35,092	8	Ps. 779,848	32,258	8	Ps. 608,177

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

Note 26 - Segment information:

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

a. Assets and liabilities

	Assets		Liabilities and equity		Income		Expenses	
Business segment	Amount	Shareholding %	Amount	Shareholding %	Amount	Shareholding %	Amount	Shareholding %
First Tier loans	Ps. 130,965	40.8	Ps. 1,281	0.4	Ps. 2,899	54.1	(Ps. 1,618)	35.4
Second tier loans	18,531	5.8	222	0.1	405	7.6	(183)	4.0
Financial Markets and Fund attraction	162,080	50.5	298,833	93.1	1,656	30.9	(387)	8.5
Other areas	9,481	2.9	20,721	6.4	400	7.4	(2,379)	52.1
Total	Ps. 321,057	100.0	Ps. 321,057	100.0	Ps. 5,360	100.0	(Ps. 4,567)	100.0

b. Results by segment

	First Tier	Second Tier	Financial markets and fund attraction	Other areas	Total
Income:					
Net financial income	Ps. 2,899	Ps.405	Ps. 1,656	Ps. 400	Ps. 5,360
Expenses:					
Operating expenses	(801)	(127)	(387)	(659)	(1,974)
Secondary taxes*	-	-	-	(1,500)	(1,500)
Allowance for loan losses	(817)	(56)	-	(220)	(1,093)
Total	Ps. 1,281	Ps.222	Ps. 1,269	(Ps. 1,979)	Ps. 793

* Refers to the payment made to the Federal Executive power through the SHCP due to the authority conferred by article 10 of the current Income Law.

First tier loan operations refer to loans made directly to companies; second tier interbank loans channel resources through banking financial intermediaries and other non-banking intermediaries and financial markets, and fund attraction refers to obtaining the necessary funds to meet the Annual Financial Program authorized by the Department of Finance, cover the Bank'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 loan placement unit balance at December 31, 2015 was Ps.189,687; Ps.1,036 (.5%) corresponds to public sector operations and Ps.188,651 (99.5%) corresponds to private sector operations, of which Ps.170,443 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 allows the Bank to offer competitive placement rates for its first tier and second tier loan operations.

At December 31, 2015, the fund attraction balance arising from issue of promissory notes payable at maturity and debt securities in Mexican pesos comprised 71.7% of the internal debt, while loans made through commercial credit lines comprised 63.5% of the external debt, and external securities outstanding comprised 34.5%.

Following is a breakdown at December 31, 2014 of the information on each of the main segments into which the Bank's operations are divided:

a. Assets and liabilities

	Assets		Liabilities and equity		Income		Expenses	
	Shareholding		Shareholding		Shareholding		Shareholding	
Business segment	Amount	%	Amount	%	Amount	%	Amount	%
First Tier loans	Ps. 98,597	37.5	Ps. 1,229	0.5	Ps. 2,157	50.1	(Ps. 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	Ps. 263,116	100.0	Ps. 263,116	100.0	Ps. 4,308	100.0	(Ps. 2,993)	100.0

b. Results by segment

	First Tier	Second Tier	Financial markets and fund attraction	Other areas	Total
Income:					
Net financial income	Ps.2,157	Ps.270	Ps.1,400	Ps. 481	Ps.4,308
Expenses:					
Operating expenses	(699)	(109)	(346)	(916)	(2,070)
Secondary taxes	-	-	-	(600)	(600)
Preventive loan loss reserve	(229)	(4)	-	(90)	(323)
Total	Ps.1,229	Ps.157	Ps.1,054	(Ps.1,125)	Ps.1,315

First tier loan operations refer to loans made directly to companies; second tier bank loans channel resources through banking financial intermediaries and other non-banking intermediaries and financial markets, and fund attraction refers to obtaining the necessary funds to meet the Annual Financial Program authorized by the Department of Finance, cover the Bank'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 Ps.145,621: Ps.1,407 (10%) corresponds to public sector operations and Ps.144,214 (99.0%) corresponds to private sector operations, of which Ps.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 allows the Bank to offer competitive placement rates for its first tier and second tier loan operations.

At December 31, 2014, the fund attraction balance arising from issue of promissory notes payable at maturity and debt securities in Mexican pesos comprised 84.3% of the internal debt, while loans made through commercial credit lines comprised 96.3% 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 Bank's Comprehensive Risk Management (AIR from Spanish) policies and procedures are regulated mainly by Chapter IV of Title Two of the General Provisions applicable to Credit Institutions (Provisions) for AIR purposes published on December 2, 2005.

In accordance with the Provisions of the CNBV, the Bank's AIR function is managed by an area independent from the business areas and it covers market, credit, liquidity, operating, technological and legal risks. The Bank 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 Bank'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 Bank's 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 Head of the Comprehensive Risk Management Unit (UAIR from 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 Bank in the fourth quarter of 2015 were determined considering the 12.65% capital ratio and the basic capital of Ps.18,157.0 at June, 2015.

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 Bank's basic capital. With the capital ratio above 12% and below 15%, the factor applicable in the fourth quarter of 2015 was 30% of the Bank's basic capital (Ps.5,447.1 equivalent to USD315.8 million at the Ps.17.2487 peso/dollar exchange rate for December 31, 2015).

At December 31, 2015, financing offered to Private Sector companies individually or per economic group is below the regulatory limit of 30% of the basic capital, and the responsibilities of the three main debtors taken as a whole total Ps.9,832.8, which comprises 54.2% of their regulatory limit (equivalent to USD 570.1 million at the Ps.17.2487 exchange rate for December 31, 2015).

Financing offered to the three main debtors taken as a whole:

	Million USD	
	December 2015	December 2014
Amount of responsibilities	570.06	553.60
Number of times of the basic capital	0.54	0.54

On the other hand, financing offered to Parastate Public Sector Entities and Organisms is below the regulatory limit of 100% of the basic capital at December 31, 2015.

Lastly, in accordance with article 60 of the Provisions, responsibilities have been contracted by 122 economic groups. of debtors (171 counterparties), whose individual financing exceeds the equivalent of 10% the Bank's basic capital.

Financing of debtors exceeding 10% of the basic capital:

	Million USD	
	December 2015	December 2014
Amount of responsibilities	51,094.61	51,108.07
Number of times of the basic capital	48.54	50.14

Financing at December 2015 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 - Market risk is associated to 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 July 1, 2015.

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, 2015, the peso money table securities position was in reviewable government bonds. At that date, the positions in said instruments comprised 97% and the repurchase position comprised 3% of the total limit; VaR for said table was Ps.5.3, which represented 21.2% of the Ps.25 authorized limit. The average annual value at risk was Ps.5.7. Capital consumption of said portfolio was Ps.372.2 , which represented 80% of the authorized limit.

At December 31, 2015, the peso investment portfolio was made up of held to maturity securities in government bonds at real rates, in reviewable government bonds. At that date, the position in instruments held to maturity made up for 85.1% and government bonds made up for 14.9%. At the December closing, VaR was Ps.1.7 for the total position, which represented 29% of the Ps.6 authorized limit. The average annual value at risk was Ps.1.8. Capital consumption of said portfolio was Ps.21.5, which represented 22.9% of the authorized limit.

At December 31, 2015, the foreign currency investment portfolio was made up of sovereign bonds. At December 31, VaR was Ps.2.5 for the total foreign currency investment position, which represented 11.8% of the Ps.21 authorized limit. The average annual value at risk was Ps.2.4. Capital consumption of said portfolio was Ps.1.9, which represented 2.9% 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 Bank measures the VaR of currency and interest rate forwards contracts, options and interest rate and currency swaps. 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 July 1, 2015.

As regards counterparty credit risk, all forwards, options and swaps are operated with highly rated domestic and international financial institutions. Credit risk of forwards and options contracted by clients is covered by their credit lines contracted with the Bank, as well as by control mechanisms that monitor positions to keep them within the authorized levels. At December 31, 2015, 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, 2015, there were closed positions for DFI interest rate options and a swap portfolio, as well as a short position in currencies of USD 3 million, equivalent to Ps.51.7. The DFI and exchange table position VaR was Ps.1.2, which is equivalent to 7.8% of the authorized Ps.15 limit. The annual VaR average of DIF and exchange table was Ps.0.7. Capital consumption of said portfolio was Ps.32.6, which represented 72.5% of the authorized limit.

At December 31, 2015, DFIs in a hedging position referred to interest rate and currency swaps, which were used as hedging of a part of the loan portfolio, debt securities, issue of peso paper money and dollar attraction. The swaps VaR totaled Ps.511.6, which serves as reference, since those transactions are not linked to a VaR limit because they are held 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 contemplate the likelihood of impairment or improvement of the loan portfolio, which is determined on the basis of historical information on the Bank's borrowers.

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

A report on the Bank's credit position and operations is submitted monthly to the CAIR and quarterly to the Board of Directors. That report includes 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, risk concentrations, portfolio diversification and the main risk indicators, as well as credit VaR estimates and expected and unexpected losses.

At December 31, 2015, the statistics on credit risk of the private sector portfolio showed the following distribution per number of borrowers vs. the average risk level.

December 2015 distribution of the private sector portfolio

Number of counterparties	Balance	Stat. (%)	Accumulated balance	Stat.(%)	Expected Loss (EL)	EL/Bal. (%)	Average risk level
1 - 5	Ps. 15,300	10.9	Ps. 15,301	10.9	Ps. 49	0.3	R1
6 - 10	11,780	8.4	27,080	19.4	83	0.7	R2
11 - 15	10,541	7.5	37,621	26.9	28	0.3	R1
16 - 20	8,642	6.2	46,263	33.1	29	0.3	R1
21 - 25	7,898	5.6	54,161	38.7	26	0.3	R1
26 - 30	6,850	4.9	61,011	43.6	14	0.2	R1
31 - 348	78,920	56.5	139,931	100.0	1,981	2.5	R4
Total	Ps. 139,931	100.0	Ps		Ps. 2,210	1.6	R3

At that date, the annual VaR (not considering expected recoveries from guarantees) of the private sector portfolio was of Ps.5,578, which figure represents an extreme value of loss and profit distribution for possible impairment in the portfolio with a trust level of 99% and a one-year time horizon.

The annual VaR of net capital at December 31, 2015 of Ps.20,225 represents 27.6%.

The expected loss for impairment of the private sector portfolio was Ps.1,915, which was calculated using the portfolio risk levels based on the Bank'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 September 4, 2015 meeting, the Board of Directors approved a new strategic capital limit for the loan portfolio of Ps.11,259.0 , which represents 85.81% of the distributable capital (Ps.13,121.0).

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 reprising 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 reprising and maturities of productive assets and idle liabilities shown in the December 2015 balance sheet, if there were to be an adverse variation of 25 base points in each of the risk factors comprising the interest rate (base rate and spread), net income would decrease an average of USD17.8 thousand per day (approximately 2.9% of the daily financial margin).

Quantifiable, non-discretionary risks

The purpose of non-discretionary risk management is to identify, measure, supervise, limit, control and report on operating, technological and legal risks associated to the Bank'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.

Following are the results for the period from January 2008 to December 2015 of identifying quantifiable risks and determining their average exposure value per type of event and line of business:

		Frequency		Severity	
Type of event	No. of events	% Total	Losses	% Total	Unit
Process execution, delivery and management	55	86%	Ps. 6.6	78%	Ps. 0.1
Natural disasters and other events	2	3%	0.9	11%	0.5
Occurrence within the business and system failure	6	9%	0.9	11%	0.2
Clients, products and business practices	1	2%	0.0	0%	
External fraud	-	0%	-	0%	-
Internal fraud	-	0%	-	0%	-
Labor relations and safety at place of work	-	0%	-	0%	-
Total	64	100%	Ps. 8.4	100%	Ps. 0.1

According to the matrix per type of event, process execution, delivery and management make up for 86% of occurrences and 78% of severity concentration.

		Frequency		Severity	
Line of business	No. of events	% Total	Losses	% Total	Unit
Commercial banking	27	42%	Ps. 5.5	65%	Ps. 0.2
Negotiations and sales	25	39%	2.0	24%	0.1
Payment and settlement	12	19%	0.9	11%	0.1
Asset management	-	0%	-	0%	-
Retail banking	-	0%	-	0%	-
Corporate finances	-	0%	-	0%	-
Retail intermediation/retail brokerage transactions	-	0%	-	0%	-
Agency services	-	0%	-	0%	-
Total	64	100%	Ps. 8.4	100%	Ps. 0.1

With regard to the matrix per line of business, commercial banking has 42% frequency and 65% severity concentration, while negotiations and sales have 39% frequency and 24% severity concentration.

The average value of exposure to accumulated events at December 31, 2015 is 0.1%.

Operating Risk

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

Qualitative analysis - This analysis consists of applying self-evaluations to selected critical processes, after which a technical report on operating risk is issued. Six types of risks were identified in the Bank's substantive processes, whose rating is below the tolerance level (5).

Quantitative analysis - Losses are obtained from selected accounting accounts to record operating risk events. The authorized operating risk estimate for 2015 was Ps.6.6, i.e., the tolerance level to control exposure to operating risk events. At the December 2015 closing, Ps.6.6 had been reserved and consumption was Ps.2.

Regulatory compliance - The Bank 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 Ps.587 at the December 31, 2015 closing.

Technological risk

Technological risk is measured and controlled through follow up on six critical indicators: 1) level of availability of critical services; 2) security to access the Bank's network; 3) detection, blocking and locks against viruses in the Bank's network; 4.a) detection and blocking of access to restricted Web sites; 4.b) detection and blocking of e-mails with AntiSPAM, 4.) 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 Bank applies the Business Continuity Plans (BCP) to processes identified as critical under the Institutional Operations Continuity Plan (PCOOP). At December 31, 2015, the indicators showed 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 Bank as plaintiff or defendant, in order to mitigate the related effects on the Bank's equity.

After applying those policies, the allowance for legal risk at December 2015 was of Ps.642, and was made up as follows: Ps.545 for civil suits, Ps.55 for labor suits, Ps.14 for costs and expenses, including administrative expenses, and Ps.28 for other expenses.

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

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 2015 there were no casualty reports that could affect the Bank's equity.

Note 29 - Accounting estimates:

The Bank and its subsidiary prepare estimates 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. Estimates and projections involving a significant risk of material adjustments to assets and liabilities recognized in the subsequent year are as follows:

Allowance for loan losses

The Bank 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 Bank 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 Bank 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 Bank 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 - New accounting standards:

Accounting criteria

Criterion A-2 "Application of specific standards". The names are updated and additional NIF are added that are applicable to the Bank. 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 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". Describes in detail certain concept definitions. It also specifies the moment in which "Sustained loan payment" is considered to occur for reorganization of different types of loans and it amends the concepts of restructuring and renewals. It establishes the obligation to recognize in income the commissions collected on transactions other than loan granting commission, 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 specifies the treatment of reorganizations and renewals for consolidated loans granted by the Bank. It requires additional disclosure on mortgages backed with mortgage subaccounts, consolidated loans resulting from loan reorganization or renewals and restructured loans not transferred to the past due portfolio.

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

Criterion D-1 "Balance sheet". Adds classifications to the "Mortgage", "Deposits" and "Memorandum accounts" category.

Criterion D-2 "Statement of income". 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.

In December 2013 and 2014, the CINIF (Mexican Financial Reporting Standards Board) issued a series of new NIFs and amendments to existing NIFs, effective in the years specified. Those NIF are not expected to significantly affect the financial information presented by the Bank.

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NIF D-3 "Employee benefits". Establishes valuation, reporting and disclosure standards for initial and subsequent recognition of current and long-term liabilities arising from termination and post-employment benefits. Establishes the concept of remeasurement of defined-benefit assets or liabilities and eliminates the possibility of deferring recognition of actuarial profits and losses directly to income based on accrual. On the basis of the foregoing, actuarial gains and losses must be recorded immediately in Other comprehensive income (OCI), and must subsequently be recycled to net profit or loss.

On December 31, 2015, the Official Gazette published the ruling amending the general provisions applicable to credit institutions, thus adding Transitory articles Three, Four and Five, which specify the terms in which credit institutions may progressively recognize the restatement changes referred to in NIF D-3 "Employee benefits".

The credit institutions referred to in section II of article 2 of the Credit Institutions Law that opt for progressive application are required to start recognizing those items no later than 2021, for which purpose they must recognize 20% of the accrued actuarial gain/loss balances as of their initial application and an additional 20% in each subsequent year, until they arrive at 100% in a period not exceeding five years.

The Bank opted to defer recognition of the accrued balance of plan actuarial losses not yet recognized (corridor approach), for which purpose it notified the National Banking and Securities Commission of that decision.

Following are the main data on labor obligations at the date of enactment of new NIF D-3, using the 7.12% rate for the Government Bond curve (present actuarial calculation) and the 8.35% rate for Corporate bonds, should the Bank opt to prepare the actuarial calculation using those rates:

	Discount rate	
	Government Bonds (7.12%)	Corporate bonds (8.35%)
Pension liability (asset)	Ps. 1,469	Ps. 413
Post-employment benefits liability (asset)	799	71
PEA and financial cost of loans liability (asset)	340	(82)
Total liability for employee benefits	Ps. 2,608	Ps. 402
Net cost for the period	Ps. 310	Ps. 142
Amount of remeasurements recognized in ORI	0	0
Amount of remeasurements recognized in retained earnings	345	57
Total	Ps. 655	Ps. 199

2018

NIF C-3 "Accounts receivable". 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 accounts receivable based on an agreement represent a financial instrument. Early application is permitted as of January 1, 2016, provided that it is applied jointly with NIF C-20 "Financial instruments receivable".

NIF C-9 "Provisions, contingencies and commitments". Establishes the standards for valuation, presentation and disclosure of liabilities, provisions and commitments, reducing their scope and relocating the matter of financial liabilities in NIF C-19. The definition of liability was modified to eliminate the concept of "virtually unavoidable" and include the term "likely. Early application is permitted as of January 1, 2016, provided that it is applied jointly with NIF C-19 "Financial instruments payable".

NIF C-19 "Financial instruments payable". Establishes the rules for valuation, presentation and disclosure for initial and subsequent recognition of accounts payable, loans and other financial liabilities in an entity's financial statements. This NIF introduces the concepts of unamortized cost for valuing financial liabilities and the effective interest method, based on the effective interest rate, for the purpose of said valuation. Both discounts and costs of issuance of a financial liability are deducted from the liability. Early application is permitted as of January 1, 2016, provided that it is applied jointly with NIF C-3 "Accounts payable", C-9 "Provisions, contingencies and commitments" and C-20 "Financial instruments receivable".

NIF C-20 " Financial Instruments Receivable". Establishes the standards for valuation, presentation and disclosure for initial and subsequent recognition of financial instruments receivable in the financial statements of an economic entity engaged in conducting financing activities. Eliminates the concept of intent to acquire and holding of financial instruments under assets for the purpose of determining instrument classification. It adopts the concept of management business model. Early application is permitted as of January 1, 2016, provided that it is applied jointly with NIF C-3 "Accounts receivable".

2015 Revisions

NIF B-8 "Consolidated or combined financial statements". Guidelines are provided to identify investment entities and help to understand their primary activities and features in order to determine whether or not there is control in each specific situation based on whether or not said investment entities are required to consolidate their financial statements.

Statement C-9 "Liabilities, provisions, contingent assets and liabilities and commitments". Establishes the accounting treatment of liabilities for client advances on the sale of goods or services receivable in foreign currency, and provides that the balance of the client advances caption should not be modified for exchange fluctuations between the functional currency and the currency in which payment is made. This establishes an accounting treatment consistent with that applicable to advance payments in a foreign currency.

NIF C-3 "Accounts receivable" and NIF C-20 "Financing instruments receivable". The date of enactment of those NIF was changed from January 1, 2016 (although early application is allowed as of January 1, 2015, provided that both NIF are adopted jointly) to January 1, 2018 (although early application is allowed as of January 1, 2016, provided that both NIF are adopted jointly).

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 in relation to the previous standard 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 for 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 Revisions:

NIF C-5 "Prepayments". 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 the associated reversals) must be presented 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". 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 B-3 Statement of Comprehensive Income, NIF B-16 Financial statements of non-profit entities, 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 recognition of the accounting effects of the 2014 Tax Reform in the financial statements.

In 2015, the Commission issued changes in the Accounting Criteria for credit institutions that come into force on January 1, 2016. The aforementioned amendments are not expected to significantly affect the Bank's financial information. The previous amendments had not significant effects on the financial statement figures.

Alejandro Díaz de León Carrillo
General Director
(As of November 25, 2015)

Emeterio Barrientos Romero
Head of General Administration and Financial Director

Martha Martínez Quiroz
Finance Director

Víctor Manuel Jiménez García
Internal Audit Director