SCOTIABANK INVERLAT, S. A.
Institución de Banca Múltiple
Grupo Financiero Scotiabank Inverlat
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditor's Report thereon)

(Free Translation from Spanish Language Original)

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Independent Auditors' Report
(Free Translation from Spanish Language Original)

The Board of Directors and Stockholders
Scotiabank Inverlat, S. A.,
Institución de Banca Múltiple,
Grupo Financiero Scotiabank Inverlat:

We have audited the accompanying consolidated financial statements of Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat and Subsidiaries ("the Bank"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, the consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and presentation of these consolidated financial statements in accordance with the accounting criteria for credit institutions in Mexico established by the National Banking and Securities Commission ("the Banking Commission"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements of Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat and Subsidiaries as of December 31, 2014 and 2013, have been prepared, in all material respects, in accordance with the accounting criteria for credit institutions in Mexico issued by the Banking Commission.

KPMG CARDENAS DOSAL, S. C.

Mauricio Villanueva Cruz

February 20, 2015.

SCOTIABANK INVERLAT, S. A.,
Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2014 and 2013

(Millions of Mexican pesos)

Assets	**2014**	**2013**
Cash and cash equivalents (note 5)	$ 27,895	24,978
Margin accounts	107	90
Investment securities (note 6):		
Trading	18,198	11,802
Available-for-sale	32,313	27,360
Held-to-maturity	3,354	2,143
	53,865	41,305
Debtors on repurchase/resell agreements (debtor balance) (note 7)	4,916	5,341
Derivatives (note 8):		
Trading purposes	5,252	2,609
Hedging purposes	53	259
	5,305	2,868
Valuation adjustment from hedging of financial assets (note 9e)	19	47
Current loan portfolio (note 9):		
Commercial loans:		
Business or commercial activity	59,423	50,137
Financial entities	18,940	18,860
Government entities	5,015	3,213
	83,378	72,210
Consumer loans	24,820	25,601
Residential mortgages	64,770	54,616
Total current loan portfolio	172,968	152,427
Past due loan portfolio (note 9):		
Commercial loans:		
Business or commercial activity	1,498	830
Financial institutions	77	–
Consumer loans	1,200	832
Residential mortgages	2,810	2,588
Total past due loan portfolio	5,585	4,250
Total loan portfolio	178,553	156,677
Less:		
Allowance for loan losses (note 9f)	6,148	4,954
Loan portfolio, net	172,405	151,723
Benefits receivable from securitization transactions (note 10)	108	142
Other accounts receivable, net	16,054	6,310
Foreclosed assets, net (note 11)	91	51
Premises, furniture and equipment, net (note 12)	3,463	3,652
Permanent investments (note 13)	76	77
Deferred taxes and deferred employee statutory profit sharing, net (note 17)	3,192	1,939
Other assets:		
Deferred charges, prepaid expenses and intangibles	1,322	1,913
Other short and long term assets	577	921
	1,899	2,834
Total assets	$ 289,395	241,357

Liabilities and Stockholders' Equity	**2014**	**2013**
Deposit funding (note 14):		
Demand deposits	$ 99,076	88,247
Time deposits:		
General public	59,983	54,033
Money market	6,610	4,853
Debt securities issued	12,442	11,850
	178,111	158,983
Bank and other borrowings (note 15):		
Due on demand	236	1,475
Short-term	6,893	8,776
Long-term	1,321	1,878
	8,450	12,129
Creditors on repurchase/resell agreements (note 7)	36,515	30,896
Assigned securities to be settled (note 6b)	9,589	1,782
Derivatives (note 8):		
Trading purposes	5,866	2,838
Hedging purposes	406	292
	6,272	3,130
Other accounts payable:		
Income tax payable	445	1
Employee statutory profit sharing payable (note 17)	256	225
Creditors on settlement of transactions (notes 5, 6 and 8)	11,325	2,089
Creditors on collateral received in cash	612	33
Sundry creditors and other accounts payable	4,391	4,307
	17,029	6,655
Subordinated debt issued (note 1d)	2,099	–
Deferred credits and prepayments	1,082	1,168
Total liabilities	259,147	214,743
Stockholders' equity (note 18):		
Paid-in capital:		
Capital stock	7,901	7,451
Additional paid-in capital	473	473
	8,374	7,924
Earned capital:		
Statutory reserves	3,648	3,358
Retained earnings	15,002	12,390
Unrealized result from valuation of available-for-sale securities	–	(7)
Unrealized result from valuation of cash flow hedge instruments (note 8)	(173)	47
Net income	3,397	2,902
	21,874	18,690
Total stockholders' equity	30,248	26,614
Total liabilities and stockholders' equity	$ 289,395	241,357

(Continued)

SCOTIABANK INVERLAT, S. A.,
Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat
AND SUBSIDIARIES

Consolidated Balance Sheets, continued

December 31, 2014 and 2013

(Millions of Mexican pesos)

Memorandum accounts (notes 7, 9a, 9f and 20)

	2014		2013	
Contingent assets and liabilities		$ 3		$ 3
Loan commitments		355,695		356,358
Assets in trust or under mandate:				
Trusts	$ 146,796		$ 134,274	
Mandate	28,984	175,780	28,897	163,171
Assets in custody or under management		$ 157,309		$ 222,440
Collateral received by the entity		45,905		69,680
Collateral received and sold or pledged by the entity		12,823		39,632
Investments on behalf of customers		73,688		76,953
Interest earned but not collected arising from past due loan portfolio		329		275
Other accounts		617,756		473,007

"At December 31, 2014 and 2013, the historical capital stock amounts to $6,650 and $6,200, respectively".

See accompanying notes to consolidated financial statements.

"These consolidated balance sheets were prepared in accordance with the accounting criteria for credit institutions issued by the National Banking and Securities Commission, based on Articles 99, 101 and 102 of the Law for Credit Institutions, which are of a general and mandatory, nature and have been applied on a consistent basis. Accordingly they reflect the transactions carried out by the Institution through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions."

"These consolidated balance sheets were approved by the Board of Directors under the responsibility of the following officers."

"These consolidated balance sheets faithfully match with the consolidated balance sheets originals, which are properly signed and held by the Institution."

SIGNATURE	SIGNATURE	SIGNATURE	SIGNATURE
Enrique Zorilla Fullaondo General Director	Michael Coate Deputy General Director of Finance and Business Intelligence	Agustín Corona Gahbler Deputy General Director of Group Audit	H. Valerio Bustos Quiroz Director of Group Accounting

http://www.scotiabank.com.mx/es-mx/Acerca-de-Scotiabank/Relacion-con-Inversionistas/Relaciones-con-Inversionistas/estados-financieros.aspx
www.cnbv.gob.mx/paginas/index.aspx

SCOTIABANK INVERLAT, S. A.,
Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat
AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2014 and 2013

(Millions of Mexican pesos)

		2014	2013
Interest income (note 21)	$	19,351	17,402
Interest expense (note 21)		(6,462)	(6,210)
Financial margin		12,889	11,192
Allowance for loan losses (note 9f)		(3,491)	(2,939)
Financial margin adjusted for allowance for loan losses		9,398	8,253
Commission and fee income (note 21)		2,990	2,724
Commission and fee expense		(481)	(412)
Financial intermediation income (notes 1 and 21)		513	1,106
Other operating income (note 21)		2,542	2,720
Administrative and promotional expenses		(11,613)	(11,353)
		(6,049)	(5,215)
Net operating income		3,349	3,038
Equity method in the results of associated companies		1	1
Income before income taxes		3,350	3,039
Current income taxes (note 17)		(796)	(702)
Deferred income taxes, net (note 17)		843	565
		47	(137)
Net income	$	3,397	2,902

See accompanying notes to consolidated financial statements.

"These consolidated statements of income were prepared in accordance with the accounting criteria for credit institutions issued by the National Banking and Securities Commission, based on Articles 99, 101 and 102 of the Law for Credit Institutions, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the revenues and disbursements relating to the transactions carried out by the Institution for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions."

"These consolidated statements of income were approved by the Board of Directors under the responsibility of the following officers."

"These consolidated statements of income faithfully match with the consolidated statements of income originals, which are properly signed and held by the Institution."

SIGNATURE

Enrique Zorilla Fullaondo
General Director

SIGNATURE

Michael Coate
Deputy General Director of Finance
and Business Intelligence

SIGNATURE

Agustín Corona Gahbler
Deputy General Director
of Group Audit

SIGNATURE

H. Valerio Bustos Quiroz
Director of Group Accounting

http://www.scotiabank.com.mx/es-mx/Acerca-de-Scotiabank/Relacion-con-Inversionistas/Relaciones-con-Inversionistas/estados-financieros.aspx
www.cnbv.gob.mx/paginas/index.aspx

SCOTIABANK INVERLAT, S. A.,
Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2014 and 2013

(Millions of Mexican pesos)

		Paid-in capital		Earned capital					
		Capital stock	Additional paid-in capital	Statutory reserves	Retained earnings	Unrealized result from valuation of available-for-sale securities	Unrealized result from valuation of cash flow hedge instruments	Net income	Total stockholders' equity
Balances as of December 31, 2012	$	7,451	473	2,974	14,943	186	(193)	3,841	29,675
Changes resulting from stockholders' resolutions:									
Resolution passed at the Ordinary General Stockholders' Meeting of April 12, 2013 – Appropriation of 2012 net income		–	–	384	3,457	–	–	(3,841)	–
Dividends declared (note 18b):									
Ordinary Annual General Stockholders´ Meeting:									
April 12, 2013		–	–	–	(165)	–	–	–	(165)
May 24, 2013		–	–	–	(300)	–	–	–	(300)
August 23, 2013		–	–	–	(259)	–	–	–	(259)
November 13, 2013		–	–	–	(808)	–	–	–	(808)
December 20, 2013		–	–	–	(4,200)	–	–	–	(4,200)
		–	–	384	(2,275)	–	–	(3,841)	(5,732)
Changes related to the recognition of comprehensive income (note 18c):									
Net income		–	–	–	–	–	–	2,902	2,902
Valuation effects of available-for-sale securities and cash flow hedge instruments, net of deferred taxes and ESPS for ($28) and ($10), respectively (notes 6c, 8 and 17)		–	–	–	–	(193)	240	–	47
Result from application of new accounting criteria (note 3)		–	–	–	(278)	–	–	–	(278)
Total comprehensive income		–	–	–	(278)	(193)	240	2,902	2,671
Balances as of December 31, 2013	$	7,451	473	3,358	12,390	(7)	47	2,902	26,614
Changes resulting from stockholders' resolutions:									
Resolution passed at the Ordinary General Stockholders' Meeting of April 25, 2014 – Appropriation of 2013 net income		–	–	290	2,612	–	–	(2,902)	–
Increase in capital stock (note 18a)		450	–	–	–	–	–	–	450
		450	–	290	2,612	–	–	(2,902)	450
Changes related to the recognition of comprehensive income (note 18c):									
Net income		–	–	–	–	–	–	3,397	3,397
Valuation effects of available-for-sale securities and cash flow hedge instruments, net of deferred taxes and ESPS for $103 and $35, respectively (notes 6c, 8 and 17)		–	–	–	–	7	(220)	–	(213)
Total comprehensive income		–	–	–	–	7	(220)	3,397	3,184
Balances as of December 31, 2014	$	7,901	473	3,648	15,002	–	(173)	3,397	30,248

See accompanying notes to consolidated financial statements.

"These consolidated statements of changes in stockholders' equity were prepared in accordance with accounting criteria for credit institutions issued by the National Banking and Securities Commission, based on Articles 99, 101 and 102 of the Law for Credit Institutions, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the stockholders' equity account entries relating to the transactions carried out by the Institution for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions."

"These consolidated statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the following officers."

"These consolidated statements of changes faithfully match with the consolidated statements of changes originals, which are properly signed and held by the Institution."

SIGNATURE

Enrique Zorilla Fullaondo
General Director

SIGNATURE

Michael Coate
Deputy General Director of Finances and Business Intelligence

SIGNATURE

Agustín Corona Gahbler
Deputy General Director of Group Audit

SIGNATURE

H. Valerio Bustos Quiroz
Director of Group Accounting

SCOTIABANK INVERLAT, S. A.,
Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

(Millions of Mexican pesos)

	2014	2013
Net income	$ 3,397	2,902
Items not requiring (providing) cash flow:		
Impairment allowance or impairment reversal		
in investing and financing activities	(12)	25
Depreciation of premises, furniture and equipment	440	381
Amortization of intangible assets	83	45
Provisions	3,671	3,172
Current and deferred income taxes	(47)	137
Equity method in associated companies	(1)	(1)
Other, mainly valuation at fair value	1,471	9
Subtotal	5,605	3,768
Operating activities:		
Change in margin accounts	(17)	(53)
Change in investment securities	(4,743)	134
Change in debtors on repurchase / resell agreements	425	7,936
Change in derivatives (asset)	(4,060)	(278)
Change in loan portfolio	(24,173)	(30,872)
Change in benefits receivable from securitization transactions	57	55
Change in foreclosed assets	(50)	(28)
Change in other operating assets	(8,635)	7,046
Change in deposit funding	19,128	15,264
Change in bank and other borrowings	(3,679)	6,541
Change in creditors on repurchase / resell agreements	5,619	(964)
Change in derivatives (liabilities)	2,951	249
Change in subordinated debt issued	2,099	–
Change in other operating liabilities	9,090	(2,206)
Payments of income taxes	(140)	(1,548)
Net cash flows from operating activities	(6,128)	1,276
Investing activities:		
Payments for acquisition of premises, furniture and equipment	(251)	(151)
Collections of cash dividends	2	1
Payments for acquisition of intangible assets	(158)	(199)
Net cash flows from investing activities	(407)	(349)
Net cash flows from financing activities for		
Increase in capital stock	450	–
Payment of dividends in cash	–	(5,732)
Net cash flows from financing activities	450	(5,732)
Net increase in cash and cash equivalents	2,917	1,865
Cash and cash equivalents at beginning of year	24,978	23,113
Cash and cash equivalents at end of year	$ 27,895	24,978

See accompanying notes to consolidated financial statements.

"These consolidated statements of cash flows were prepared in accordance with the accounting criteria for credit institutions issued by the National Banking and Securities Commission, based on Articles 99, 101 and 102 of the Law for Credit Institutions, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the cash in flows and cash out flows relating to the transactions carried out by the Institution for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions."

"These consolidated statements of cash flows were approved by the Board of Directors under the responsibility of the following officers."

"These consolidated statements of cash flows faithfully match with the consolidated statements of cash flows originals, which are properly signed and held by the Institution."

SIGNATURE

Enrique Zorilla Fullaondo
General Director

SIGNATURE

Michael Coate
Deputy General Director of Finances and Business Intelligence

SIGNATURE

Agustín Corona Gahbler
Deputy General Director
of Group Audit

SIGNATURE

H. Valerio Bustos Quiroz
Director of Group Accounting

These consolidated financial statements have been translated from the Spanish language original solely for the convenience of foreign/English-speaking readers.

(1) Description of business and significant transactions-

Description of business-

Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat ("the Bank") is a subsidiary of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. ("the Group") which owns 99.99% of its capital stock. The Group, in turn, is a subsidiary of The Bank of Nova Scotia ("BNS"), which owns 97.4% of its capital stock. In accordance with the Credit Institutions Law, the Bank is authorized to carry out multiple-service banking transactions such as accepting deposits from the general public, granting and receiving loans, engaging in securities transactions and providing trust services, among others. The consolidated financial statements of the Bank include the operation of its subsidiaries for whom exercises control: Inmobiliaria Scotia Inverlat, S. A. de C. V. (Inmobiliaria) engaged in leasing of premises, Scotia Servicios de Apoyo, S. A. de C. V. (Scotia Servicios) which supports the management of the credit card business, Scotia Inverlat Derivados, S. A. de C. V. (Scotia Derivados) which acts as trading member for futures and options contracts listed on the MexDer Mercado Mexicano de Derivados, S. A. de C. V. (MexDer) and two trusts named, Fideicomiso Socio Liquidador Posición Propia Número 101667 and Fideicomiso Socio Liquidador Posición de Terceros Número 101776 (MexDer Trusts), created for the purpose of entering into futures and options contracts for the Bank's own account and on behalf of third parties, respectively. The Bank and the Group operate in all over Mexican territory and its corporate headquarters are in Mexico City.

2014 significant transactions-

(a) Sale of consumer loan portfolio

On October 31, 2014, the Bank sold a portfolio of consumer loans to a non-related party; the agreed sale price was $15 and the face value at such date was $354; as a result of this sale the Bank released the allowance for loan losses of $263, thus the loss on sale of the aforementioned amounted to $76. Likewise, the Bank sold written off consumer loans with face value of $632, therefore the received income and net income for this portfolio was $14.

(b) Sale of written off mortgage portfolio

On June 30, 2014, the Bank sold a portfolio of written off mortgage portfolio with face value of $1,713; the impact in the net income for the associated cost of this sale was $35 and the income received was $242.

(Continued)

(c) Sale of written off consumer loan portfolio

On May 30, 2014, the Bank sold a written off consumer loan portfolio with face value of $7,944; therefore the income received and the net income for the sale was $73.

(d) Private issuance of subordinated debt

On December 18, 2014, the Bank carried out the issuance of 20,930,000 preferred capital subordinated debt wich are non-convertible into shares with a face value of $100 pesos for each bond, amounting to $2,093 for a 10 year-term maturing on December 5, 2024, and interest payment every 182 day-period at the annual rate of 7.40%. As of December 31, 2014, the amount of accrued interest amounts to $6, which was recognized under the caption "Interest expense".

(e) Capital stock structure

On September 29, 2014, the Extraordinary General Stockholders' Meeting agreed to increase the capital stock in $450, through the issuance of 450,000,000 "F" series common shares, with a face value of one peso each one.

2013 Significant Transactions-

(a) Sale of Ordinary Participation Certificates (CPO´s for its acronyms in Spanish)-

The Government of the State of Nuevo Leon, Mexico, through a financial institution, implemented a scheme in order to acquire CPO´s that various banking and financial creditors held from the toll road concessionaire Viaductos, S. A. de C. V., consequently, in January 2013, the Bank signed a buy and sell agreement in which they ceded the ownership of 1,937,778 CPO´s, which generated a gain of $349, recognized under the caption "Financial intermediation income".

(b) Dividends decree-

As mentioned in note 18 to the consolidated financial statements, on April 12, May 24, August 23, November 13 and December 20, 2013, dividends were decreed through resolutions of the Ordinary General Stockholders´ Meeting for $165, $300, $259, $808 and $4,200, respectively, which were paid during 2013.

(Continued)

(c) Sale of consumer loan portfolio-

On December 23, 2013, the Bank sold a consumer loan portfolio to a non-consolidated related party at the market value of $132, the carrying amount at that date was $518, likewise, the Bank canceled the loan loss provision of $290; due to the above the net loss amounted to $96. The Bank provides portfolio servicing to the related party beginning on the date of sale.

(d) Merger of Inmobiliaria with Secoresa.-

On the November 20, 2013 Extraordinary General Stockholders' Meeting of Inmobiliaria the stockholders agreed to the merger of Inmobiliaria as surviving entity, with its related party Secoresa as merging entity. The merger became effective on December 2, 2013, given that the authorization and appropriate agreements were registered in the Public Registry of Property and Commerce on such date.

(2) Summary of significant accounting policies-

The accounting policies shown in this note have been applied on a consistent basis in the preparation of the consolidated financial statements, except for the disclosed in note 3 of the consolidated financial statements.

(a) Financial statement authorization, presentation and disclosure-

On February 20, 2015, Enrique Zorrilla Fullaondo (General Director), Michael Coate (General Director Deputy Finance and Business Intelligence), Agustín Corona Gahbler (General Director Deputy Group Audit) and H. Valerio Bustos Quiroz (Director of Group Accounting) authorized the issuance of the accompanying consolidated financial statements and related notes.

The Bank's consolidated financial statements include the Bank's subsidiaries for whom exercises control: Inmobiliaria, Scotia Servicios, Scotia Derivados and two settlement MexDer Trusts of own and third party position. Significant balances and transactions with the Bank's companies have been eliminated in preparing the consolidated financial statements. The consolidation was carried out using the audited financial statements of the subsidiaries at December 31, 2014 and 2013.

The Stockholders and the National Banking and Securities Commission ("the Banking Commission") are empowered to modify the consolidated financial statements after issuance.

The accompanying consolidated financial statements have been prepared, based on the applicable legislation, in conformity with the accounting criteria established by the Banking Commission for credit institutions in Mexico. The Banking Commission is responsible for the inspection and supervision of financial institutions, as well as reviewing their financial information.

The accounting criteria provide that in the absence of an specific accounting criterion of the Banking Commission for credit institutions, and in a wider context the Mexican Financial Reporting Standards (MFRS), issued by the Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A. C. or CINIF), the suppletory process as established by MFRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by FRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to other regulatory framework may be opted for, providing all the requirements set out by the FRS are met by the standard. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and later any other formal and recognized accounting standard, provided they do not contravene the accounting criteria of the Banking Commission.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The major items subject to such estimates and assumptions include the valuation of financial instruments, allowance for loan losses, employees' benefits and the future realization and deferred taxes. The actual results may differ from those estimates and assumptions.

The aforementioned consolidated financial statements are presented in Mexican pesos, which is the same as the recording currency and the functional currency.

For purposes of disclosure in the notes to the consolidated financial statements, "pesos" or "$" refers to millions of Mexican Pesos, and when reference is made to "dollars" or "USD", it means millions of dollars of the United States of America.

Assets and liabilities related to the purchase and sale of foreign currencies, investment in securities, securities repurchase/resell agreements and derivatives are recognized in the consolidated financial statements on the trade date, regardless of the settlement date.

(Continued)

(Millions of Mexican pesos)

(b) Recognition of the effects of inflation-

The accompanying consolidated financial statements include the recognition of inflation based on in Investment Units (Unidades de Inversión or UDI) until December 31, 2007, according to the applicable accounting criteria.

The years ended December 31, 2014 and 2013 are considered non-inflationary economic environment (inflation accumulated over the three preceding years less than 26%), as established in MFRS B-10 "Effects of Inflation", consequently the effects of inflation on the Bank's financial information are not recognized. Should be back in an inflationary environment, the cumulative effects of inflation not recognized in prior periods must be retrospectively recognized from the last period that the economic environment was considered as inflationary. The accumulated inflation rate of the three preceding years, is as follows:

		Inflation	
December 31	**UDI**	**Annual**	**Accumulated**
2014	$ 5.270368	4.18%	12.34%
2013	5.058731	3.78%	11.76%
2012	4.874624	3.91%	12.31%

(c) Cash and cash equivalents-

Cash and cash equivalents consist of cash in hand, precious metals (coins), deposits with banks in pesos and dollars, as well as 24, 48, 72 and 96-hour foreign currency purchase and sale transactions. Also includes restricted cash and cash equivalents comprised of bank borrowings with original maturities of up to three days ("Call Money"), and deposits in Banco de México (Central Bank); which include the regulation monetary deposits that the Bank is required to maintain in conformity with the provisions issued by the Central Bank, for the purpose of regulating liquidity in the financial market, the deposits lack term, and bear interest at the average funding rate, which are recognized in income statement as accrued.

The cash and cash equivalents are recognized at nominal value. For the currencies in dollars, the exchange rate used for the translation is the one published by the Central Bank. The translation effect is recognized in the results, as interest income or interest expense, accordingly.

Immediate collection notes will be recorded as other cash equivalent according to what is mentioned in the next page.

(Continued)

– Transactions with Mexican entities: two business days after the transaction took place.

– Transactions with foreign entities: five business days after the transaction took place.

When the notes mentioned above are not collected within the established deadlines, the related amounts will be transferred to the originating item, as applicable, either “Other accounts receivable” or “Loan portfolio”, and due consideration should be given to the provisions of criterion A-2, “Application of particular standards”, and B-6 “Loan portfolio”, respectively.

Transactions transferred to sundry debtors under the caption “Other accounts receivable”, not settled within fifteen days following the transfer date will be classified as past due debts and an allowance for their total amount recorded will be recorded concurrently.

Notes received subject to collection are recorded in memorandum accounts under the caption “Other accounts”.

Checking account overdrafts, as reported in the statement of account issued by the corresponding credit institution, are shown in the caption “Sundry creditors and other accounts payable”. Likewise, this caption presents the offset balance of receivable currencies against deliverable currencies, in case this offset results negative.

The foreign exchange currencies acquired in purchase transactions to 24, 48, 72 and 96 hours, are recognized as restricted cash (foreign currency for received), while the currency sold is recorded as cash outflow (foreign currency for delivery). The rights and obligations for the sales and purchases of foreign exchange at 24, 48, 72 and 96 hours are recorded in clearing accounts under the caption "Other accounts receivable, net" and "Creditors on settlement of transactions”, respectively.

(d) Margin accounts-

The margin accounts granted in cash required to the Bank to operate derivatives in recognized markets are recorded at par value and presented in the caption “Margin accounts”. The value of margin accounts granted in cash is modified by margin calls or withdrawals made by the clearing house and for additional contributions or withdrawals made by the Bank.

(Continued)

Returns and commissions affecting the margin accounts, other than fluctuations in derivatives prices, are recognized in result of operations for the year as accrued under “Interest income” and “Commission and fee expense”, respectively. The partial or total amounts deposited or withdrawn in the clearinghouse owing to price fluctuations of derivatives are recognized in “Margin accounts”.

The compensation fund of MexDer Trusts is deposited in the Trust 30430 Asigna, Compensación y Liquidación (Asigna) in accordance with the established rules, provisions, internal regulation and operating manual of Asigna and is comprised of cash contributions made by the Trust based on open agreements recorded in their accounts and minimum initial contributions required by Asigna. The compensation fund is recognized as restricted under the caption "Cash and cash equivalents”.

(e) Investment securities-

Investment securities consist of equities, government securities, bank promissory notes, and other debt securities listed in recognized markets, which are classified using the categories shown below, based on the intention and capability of management of the Bank on their ownership.

Trading securities-

Trading securities are those acquired with the intention of selling to get short-term gains arising from differences in prices resulting from its trading in the market. Securities at the time of acquisition are accounted for at fair value (which includes, where applicable, the discount or premium) which presumably corresponds to the price paid; transaction costs for the acquisition of securities are recognized in income on the same date.

Subsequently, securities are valued at fair value provided by an independent price vendor; when the securities are sold, the result of buy/sell is determined by the difference between purchase price and the sale price, this concept shall cancel the result of valuation that has been previously recognized in the income statement.

Interest earned from debt securities are determined according to the effective interest method and are recognized in the year's income under the caption "Interest income".

Dividends from equity securities are recognized in the year's income when the right to receive payment arises under the caption "Interest income".

(Continued)

Valuation effects and purchase or sale results are recognized in the year's income within the caption of "Financial intermediation income".

Available-for-sale securities-

Available-for-sale securities are those whose intention are not oriented to profit from differences in prices in the short term or does not have the intention or capacity to hold to maturity. The initial recognition and subsequent valuation is performed in the same manner as trading securities, except that the effect of valuation is recognized in stockholders' equity under the caption "Unrealized result from valuation of available-for-sale securities", and which is adjusted by the effect of deferred taxes, which is cancelled for its recognition in income at the time of sale within the caption of "Financial intermediation income". Accrued interest is recognized under the effective interest method under "Interest income or expense".

Interest earned is determined according to the effective interest method and are recognized in the year's income under the caption "Interest income".

Dividends from net equity instruments are recognized in the year's income when the right to receive payment thereof arises under the caption "Interest income".

Held-to-maturity securities-

Are those debt securities with fixed or determinable payments and with fixed maturity, regarding which the entity has the intention and capacity to hold to maturity. These securities are initially recognized at fair value which is presumably the price paid; and later are valued at amortized cost, which implies that the amortization of the premium or discount as well as the transaction costs form part of interest earned recognized in income under “Interest income”.

Interest is recognized in income as earned and when the securities are sold, the sales gain or loss is recognized for the difference between the net realizable value and the book value of the securities within the caption of "Financial intermediation income".

Impairment of value of a security-

Where sufficient objective evidence exists that a security available for sale or held to maturity has been impaired as a result of one or more events that occurred subsequent to initial recognition of security, the carrying amount of the security is modified and the impairment is recognized in income under “Financial intermediation income”. For available-for-sale securities, the amount of loss recognized in equity is canceled.

(Continued)

If, in a subsequent period, the fair value of the security increases, and this effect is related objectively to an event occurring after the impairment was recognized in the income statement, the impairment is reversed in the year´s results, except if it is an equity instrument.

Value date transactions-

Securities acquired where settlement takes place on a subsequent date, up to a maximum of four business days following the date of the purchase-sale transaction, are recognized as restricted securities, while securities sold are recognized as securities to be delivered, and are deducted from investments securities; the counter entry is a credit or debit to a settlement account, as applicable. Where the amount of securities to be delivered exceeds the balance of own securities of the same type in position (government, bank, equity and other debt securities), this is reflected as a liability under "Assigned securities to be settled".

Reclassifications between categories-

The accounting criteria allows reclassifications from held-to-maturity to available-for-sale securities are possible, provided it is not intended to hold them until maturity. Valuation adjustments at the date of the reclassifications are recognized in stockholders' equity. In the case of reclassifications of securities to the category held to maturity, or of securities from trading to available for sale, this is only permissible with the express authorization of the Banking Commission.

(f) Repurchase/resell agreements-

At the trade date of the repurchase/resell agreement transaction (repo), the Bank acting as seller recognizes either the cash inflow or a debit clearing account, as well as an account payable, whereas when acting as buyer recognizes either the cash outflow or a credit clearing account, as well as an account receivable. Both the account payable and the account receivable are initially stated at the agreed-upon price, representing the obligation to repay or the right to recover the cash, respectively.

Over the term of the repo, the account receivable and the account payable are valued at the amortized cost, recognizing the interest on repos in the result of operations for the year as earned, in accordance with the effective interest method. The interest is recognized under the financial statement caption "Interest income" or "Interest expense", as appropriate. The account receivable and the account payable, as well as the interest earned are reported in the financial statement caption "Debtors under repurchase/resell agreements" and "Creditors under repurchase/resell agreements", respectively.

(Continued)

The Bank acting as repurchasee recognizes the received collateral in memorandum accounts within the caption of "Collateral received by the entity", in accordance with accounting criterion B-9 "Assets in custody and under management". Financial assets granted as collateral, when the Bank acting as repurchaser, the financial asset is reclassified on the consolidated balance sheet within the caption of "Investment securities", reporting it as a restricted asset.

Should the Bank, acting as repurchasee sell or pledge the collateral, the transaction proceeds and an account payable is recorded for the obligation to return the collateral to the repurchaser, which is valued, in the case of sale at fair value, or if pledged in another sale and repurchaser agreement, at amortized cost. The account payable is offset with the account receivable, which is recognized when the Bank acting as repurchasee turn becomes as repurchaser and the debit or credit balance is presented in the consolidated financial statement caption "Debtors under repurchase/resell agreements" or in "Collateral sold or pledged", as applicable.

Additionally, the collateral received, delivered or sold is recognized in memorandum accounts within the caption of "Collateral received and sold or pledged by the entity", in accordance with accounting criterion B-9 "Assets in custody and under management".

(g) Derivatives-

Transactions with derivative financial instruments comprise those that are carried out for trading and hedging purposes. Irrespective of their purpose, the derivatives are recognized at fair value.

The valuation effect of the derivatives for trading purposes is shown in the consolidated balance sheet and consolidated statement of income under "Derivatives", in the assets or liabilities, accordingly, and "Financial intermediation income", respectively.

(Continued)

The effective portion of the valuation adjustments of hedges designated for cash flow purposes is recognized in stockholders' equity, under the caption “Unrealized result from valuation of cash flow hedge instruments”, while the ineffective portion of the change in fair value is recognized immediately in the consolidated income statement under "Financial intermediation income", and the counter-account with such effect are presented in the consolidated balance sheet under “Derivatives”. The gain or loss associated with the coverage of the forecasted transaction that has been recognized in stockholders’ equity, is reclassified to the consolidated statement of income within the same caption that presents the result of valuation of hedged party attributable to the hedged risk, in the same period during which the hedged forecasted cash flows affect the year’s results of operations.

If the cash flow hedge derivative reaches maturity, is exercised, terminated or the hedge does not meet the requirements to be deemed effective, the hedge designation is de-designated, while the valuation of the cash flow hedge derivative within stockholders' equity remains in this caption and is recognized in the year's results when the forecast transaction occurs, in the same caption which presents the gain or loss of the valuation attributable to the hedged risk.

The gain or loss arising from valuing the fair value hedge derivative is recognized in the consolidated balance sheet under “Derivatives” and in the consolidated statement of income in “Interest income” and “Financial intermediation income”, since they correspond to interest rate hedges of loan portfolio and investments securities classified as available-for-sale, respectively. The result of valuation of the item attributable to the hedged risk is recognized on the consolidated balance sheet under “Valuation adjustments from hedging of financial assets” and recognized in the year’s income in the case of loan portfolio, in “Interest income”, while for investments securities classified as available-for-sale, in “Financial intermediation income”.

Collaterals pledged and received in derivate transactions carried out over-the-counter

The collateral is a security obtained to ensure payment of the price agreed in contracts with derivative financial instruments on over-the-counter transactions.

The granting of collateral pledged in cash in derivative over-the-counter transactions are recorded as account receivable under the caption "Other accounts receivables", while collateral received in cash are recorded as "Other accounts payable. "

(Continued)

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(Millions of Mexican pesos)

The collaterals pledged in securities are recorded as restricted securities by guarantees, and the collaterals received in securities from derivatives transactions are recorded in memorandum accounts.

(h) Settlement clearing accounts-

Amounts receivable or payable for investment securities, securities repurchase/resell agreements, and/or derivatives, which have expired but have not been settled at the consolidated balance sheet date, including the amounts receivable or payable for purchase or sale of foreign currencies, which are not for immediate settlement or those with a same day value date, are recorded in clearing accounts.

The balances of clearing accounts, credit and debit are offset as long as it has the contractual right to offset amounts recognized, there is an intention to settle on a net basis, realize the asset and settle the liability simultaneously.

The clearing accounts are shown under the financial statement caption "Other accounts receivable, net" or "Creditors on settlement of transactions", as appropriate.

(i) Loan portfolio-

Represents the balance of the total or partial dispositions of the credit lines provided to clients plus uncollected accrued interest, less interest collected in advance. The allowance for loan losses is presented deducting the loan portfolio balances.

Undrawn credit facilities are recorded in suspense accounts, under "Loan commitments". The withdrawn amount is recorded into the loan portfolio in the caption of the portfolio as appropriate.

At the time of contracting, transactions with letters of credit are recorded in suspense accounts under "Loan commitments" which, upon being used by the client or its counterparty are transferred to the loan portfolio.

Past due loans and interest-

Outstanding loans and interest balances are classified as past due according to the following criteria:

1. Knowledge that the borrower has filed for bankruptcy, under the Bankruptcy Law.

(Continued)

An exemption exist from the rule mentioned in the last paragraph of the previous page, for those loans that continues receiving payment in terms of the Bankruptcy Law under section VIII of article 43, as well as those loans granted under article 75, in relation to sections II and III of article 224 of the mentioned Law. However, if incurred in one of the cases provided below, they will be recorded as past due loan portfolio.

2. Its installments have not been fully settled on the terms originally agreed, considering the following:

   a) If the debts consist in loans with a single payment of principal and interest at maturity, and are 30 or more calendar days past due;

   b) If the debts refer to loans with a single payment of principal at maturity and periodic payments of interest, and the respective interest payment is 90 or more calendar days past due, or principal is 30 or more calendar days past due;

   c) If debts consist of loans with principal and interest periodic partial payments, including mortgage loans, show 90 or more calendar days are past due;

   d) If debts consist of revolving loans, and unpaid for two monthly normal billing periods or, where the billing period is other than monthly, when 60 or more calendar days are past due; and

   e) Overdrafts from checking accounts, and immediate payment notes receivable, upon occurrence of such event.

When a loan is transferred to the past-due portfolio, accrual of interest is discontinued and record thereof is kept in memorandum accounts. Also suspending the amortization in financial income accrued in the year's results. Once collected, such interest is recognized directly in consolidated income statement under “Interest income”. Recognition in consolidated income statement of interest income resumes when the portfolio ceases to be considered as past due.

An allowance is constituted for an amount equal to the total of uncollected accrued interest corresponding to loans deemed past due at the time the loan is transferred to the past due portfolio. For past-due loans, which restructuring agrees to the capitalization of earned, uncollected interest previously recorded in memorandum accounts, an allowance is created for the total of such interest amount. The allowance is written off when there is evidence of sustained payment.

(Continued)

Past due loans are reclassified as current when the unpaid balances have been fully paid by the debtor (principal and interest, etc.), except for restructured loans or renewed, which are transferred to current portfolio when sustained payment has been made.

Restructuring and renewals

Unless there is evidence of sustained payments, past due loans restructured or renewed shall remain within the past due portfolio.

Loans with a single payment of principal at maturity and periodic interest payments, as well as loans with a single payment of principal and interest at maturity being restructured during the term of the loan or renewed anytime shall be considered as past due, while there is no evidence of sustained payment.

Current loans that are restructured or renewed, without at least 80% of the original loan term having elapsed, shall be deemed to be current only when the borrower had:

i) paid the total accrued interest, and
ii) paid the original principal loan amount at the renewal or restructuring date.

Current loans that are restructured or renewed during the course of the final 20% of the original term of the loan will be considered as current only when the borrower had:

i) fully paid the total interest accrued;
ii) covered the total original loan amount which at the date of the renewal or restructuring should had been paid, and
iii) paid 60% of the original loan amount.

Renewed or restructured loans where the borrower fails to meet the above conditions will be deemed past due from the renewal or restructuring date until there is evidence that sustained payments are being made.

Those loans considered revolving, which have been restructured or renewed, will be considered as current when the borrower had paid off the totality of accrued interest, there are no invoicing periods past-due and there is evidence to prove the debtor’s repayment capability.

(Continued)

Loan due and payable principal and interest amounts which, at the restructuring date, have been repaid in full and for which one or several of the following loan conditions have been changed, shall not be deemed restructured.

i) Guarantees: only when involving the extension or replacement with better quality guarantees.
ii) Interest rate: when the agreed-upon interest rate is improved.
iii) Currency: provided the rate corresponding to the new currency is applied.
iv) Payment date: only if the change does not represent exceeding or modifying the frequency of payments. In no case shall the change in the payment date enable omitting the payment in any given period.

The loan portfolio restructuring or renewals are made in compliance with the General provisions applicable to credit institutions and the viability of them is analyzed particulary.

The Bank periodically evaluates if a past due loan should remain in the consolidated balance sheet or be written-off, provided a provision has been created for 100% of the loan amounts. Such write-off is made by cancelling the unpaid loan balance against the allowance for loan losses previously created for each loan. Any recovery derived from loans which were previously written-off is recognized in the year's results.

Write-downs, cancellations, refunds or discounts are recorded against the provision for loan losses. In case the amount of these items exceeds the provision for loan losses balance related to the loan, a charge to provision is recorded up to the amount of the difference.

Costs and expenses related to loan origination

The costs and expenses related to loan origination are recorded as a deferred charge, which is amortized to the income statement under the caption "Interest expense" during the average term of the loans, except for origination of revolving loans, which are amortized over a period of 12 months against the expense caption that corresponds according to its nature.

(Continued)

(j) Allowance for loan losses-

Allowance for loan losses represents Bank's management best estimate of probable losses inherent in the loan portfolio as well as guarantees issued and irrevocable loan commitments.

Commercial loans – The allowances for the commercial loans are based on the individual assessment of the credit risk of borrowers and their classification, in accordance with the general regulations applicable to the methodology for rating of the loan portfolio of credit institutions (the "Provisions"), established by the Banking Commission. Commercial loans shall be subject to credit rating without including those by Federal Government or express warranty or the Federation Unit registered with the Public Credit of the Ministry of Finance and Public Credit (SHCP acronym in Spanish), IPAB or Central Bank.

On June 24, 2013, the Banking Commission published a resolution in the Official Gazette amending the Provisions to adopt an expected loss methodology for credit risk, considering the probability of default, loss given default and exposure at default.

The financial effect resulting from the use of the new expected loss methodology for credit risk was the creation of allowance for loan losses as shown in note 3 to the consolidated financial statements. Likewise, on June 24, 2013, the Provisions established a new methodology for loan losses related to loans granted to financial institutions; the application of the new methodology starting January 2014, and the financial effect was the creation of additional reserves for $15.

For loan portfolio granted to corporations and individuals with business activity, with annual net revenues or sales equivalent or higher than 14 million UDIS, the Bank uses internal credit rating models authorized by the Banking Commission, which are considered for the evaluation of the following risk factors: (i) country risk; (ii) financial performance; (iii) financial hedging; (iv) debtor's management; (v) overall strength (customer's relation with the environment, competitiveness, strengths and weaknesses); (vi) account management; (vii) industry conditions; and (viii) payment history.

(Continued)

(Millions of Mexican pesos)

Loan portfolio granted to corporations and individuals with business activity, with annual net revenues or sales lesser than 14 million UDIS, is credit rated through the application of methodology set forth on Appendix 21 of the Provisions. For the financial institutions loans, the methodology set forth on Appendix 20 of the Provisions is used, which establishes the concept of probability of default, loss severity and exposure at default is used.

The estimates carried out at December 31, 2014 and 2013, were determined based on the risk levels and allowance percentage according to the following table:

Grade of risk	**Range of allowance percentages**
A1	0.000 – 0.90%
A2	0.901 – 1.50%
B1	1.501 – 2.00%
B2	2.001 – 2.50%
B3	2.501 – 5.00%
C1	5.001 – 10.00%
C2	10.001 – 15.50%
D	15.501 – 45.00%
E	Higher than 45.00%

Mortgage loans –

Allowance for loans losses of mortgage is determined using the corresponding balances the last day of each month. Furthermore, factors such as the following are taken into consideration: (i) amount payable; (ii) payment made; (iii) house value; (iv) outstanding loan balance; (v) days of delinquency; (vi) loan denomination; and (vii) file documentation. The total amount to reserve for each assessed loan is the result of multiplying the probability of default for the loss given default and exposure at default.

(Continued)

(Millions of Mexican pesos)

In determining the loss given default the loan recovery rate componentis is used, which is affected if the loan has a guarantee trust or judicial agreement, classifying by regions at the federal boroughs in which such courts reside.

The risk grades and percentages of allowance for loan losses on December 31, 2014 and 2013, are as shown below:

Grade of risk	Ranges of allowance percentages
A1	0.000 – 0.50%
A2	0.501 – 0.75%
B1	0.701 – 1.00%
B2	1.001 – 1.50%
B3	1.501 – 2.00%
C1	2.001 – 5.00%
C2	5.001 – 10.00%
D	10.001 – 40.00%
E	40.001 – 100.00%

Consumer loans –

In determining the allowance, consumer loans are segregated into two groups: a) non-revolving consumer loans; and b) consumer loans relating to credit card transactions and other revolving loans. The methodology followed for both groups is described in articles 91 and 92 of the Provisions, respectively. The total allowance amount for each loan is the result of multiplying the probability of default by the loss given default and exposure to default.

The risk grades and percentages of provision for loan losses at December 31, 2014 and 2013, are shown in the next page.

(Millions of Mexican pesos)

Grade of risk	Ranges of allowance percentages: Non- revolving	Ranges of allowance percentages: Credit cards and other revolving loans
A1	0.00 – 2.0%	0.00 – 3.00%
A2	2.01 – 3.0%	3.01 – 5.00%
B1	3.01 – 4.0%	5.01 – 6.50%
B2	4.01 – 5.0%	6.51 – 8.00%
B3	5.01 – 6.0%	8.01 – 10.00%
C1	6.01 – 8.0%	10.01 – 15.00%
C2	8.01 – 15.0%	15.01 – 35.00%
D	15.01 – 35.0%	35.01 – 75.00%
E	35.01 – 100.0%	Higher than 75.01%

Impaired loan portfolio – For consolidated financial statement disclosure purposes, commercial loans rated as having risk levels D and E are regarded as impaired loans, without giving consideration to improvements in risk levels resulting from the secured portion of the loan, as are loans that, although current, result from negotiations in which a forgiveness, reduction or settlement was authorized at the end of the agreed-upon term, and loans payable by individuals classified as undesirable customers.

Additional identified reserves – Are established for those loans, which in management's opinion, may give cause for concern in the future given the particular situation of the customer, the industry or the economy. Furthermore, it includes estimates for items such as normal interest earned but not collected and other items which realization is considered to result in a loss to the Bank, as well as reserves maintained as prescribed by regulations.

Write-offs – Loans considered unrecoverable are written off against the allowance when their collection is determined to be practically impossible. Any amount recovered from previously written-off loans is recognized in income.

(Continued)

(k) Credit card loyalty program-

Based on paragraph 3 of criterion A-4 "Suppletory Application of Accounting Criteria", issued by the Banking Commission, the Bank has adopted the International Financial Reporting Interpretations Committee IFRIC13 "Customer loyalty program" of IFRS for recording credit card transactions related to the loyalty program. According with this interpretation, a portion of revenue from exchange fees are deferred until the obligation to deliver the rewards to which customers are entitled is incurred and amortized to income once that obligation is extinguished.

(l) Other accounts receivables-

Loans to officers and employees, collection rights and the accounts receivable related to debts whose maturity is agreed from origin to more than 90 calendar days term are evaluated by the Bank's management to determine the estimated recoverable amount and, as required, to create the corresponding allowance. The balances of other debit items are recorded into the income statement 90 days after their initial recording, if they correspond indentified items and 60 days if the balances are unidentified, regardless of their chance to recovery, except for tax-related (VAT included) balances.

In cases where the amount receivable is not realized within 90 calendar days following the date at which they were booked in clearing accounts, they are recorded as past due and a provision is booked for the total amount.

Overdrafts on checking accounts of customers, which do not have a loan facility for such purposes, shall be classified as past due debts and credit institutions must simultaneously create a reserve for such classification for the total amount of the overdraft at the time when such event occurs.

(m) Securitization transactions-

The residual benefits on the securitization transactions are recognized in "Benefits receivable on securitization transactions" and are marked to market. Valuation adjustments are recognized in income under "Other operating income". Subsequent recoveries related to benefits to be received, are directly applied against the balance of such benefits.

(Continued)

The trust where the securitization is recorded is not consolidated in accordance with the established in paragraph 21 of transitory dispositions of accounting criteria C-5 issued by the Banking Commission on September 19, 2008.

(n) Foreclosed assets or assets received in lieu of payment -

Foreclosed assets are recorded on the date the admission order of the judicial sale by which the foreclosure was decreed, became final and conclusive and is immediately available for execution.

Assets received in lieu of payment are recorded on the date the deed of payment, or that on which the transfer of title to the asset is formally executed.

The accounting recognition of a foreclosed assets considers the value of the tangible asset (at the lower of cost or fair value less strictly necessary costs and expenses incurred for foreclosure), as well as the net value of the asset arising the foreclosure. When the net value of the asset arising the foreclosure exceeds the value of the foreclosed asset, the difference is recognized in consolidated income statement caption “Other operating income”. Otherwise, the value of the foreclosed asset is adjusted to the net value of the asset.

The value of the asset originating the foreclosure and the relevant loan loss allowance set up as of that date are derecognized from the consolidated balance sheet.

Foreclosed assets and promised for sale are restricted to their carrying value; collections received on account of the asset are recorded as a liability. On the date of sale the resulting gain or loss is recognized in the consolidated income statement caption "Other operating income".

Reductions in the value of foreclosed assets are valued according to the type of asset concerned, recording such valuation in the consolidated income statement caption “Other operating income” The Bank creates additional provisions that acknowledge signs of impairment from potential value losses over time in foreclosed assets in the year’s results of operations under “Other operating income”, which are determined by multiplying the reserve percentage applicable by the value of the foreclosed assets, based on the loan portfolio rating methodology, as show in the next page.

(Continued)

(Millions of Mexican pesos)

Months elapsed from the date of Foreclosure or received in lieu of payment	Reserve percentage: Real Estate	Reserve percentage: Receivables, furniture, and equipment and investment securities
Over : 6	0%	10%
12	10%	20%
18	10%	45%
24	15%	60%
30	25%	100%
36	30%	100%
42	35%	100%
48	40%	100%
54	50%	100%
60	100%	100%

(o) Premises, furniture and equipment-

Premise, furniture and equipment are recorded at acquisition cost. Those assets acquired before December 31, 2007 were adjusted by using factors based on the UDI value from the date of acquisition through that date, which recognition of the effects of inflation on the information was suspended according to the Mexican financial reporting standards. The components acquired in foreign currency are recorded at the historical exchange rate, that is, the exchange rates in force on the date the asset was acquired.

Depreciation is calculated using the straight-line method, based on the estimated useful lives by the Bank's management of the corresponding assets. Depreciation amount of premises, furniture and equipment is determined by subtracting the residual value and, as applicable, the cumulative impairment losses from the acquisition cost. The Bank periodically evaluates premises, furniture and equipment residual values to determine amounts to be depreciated.

The Bank evaluates periodically the net book values of premises, furniture and equipment, to determine whether there is an indication that these values exceed their recoverable amount. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net revenues expected to be generated by the asset. If the net book value of an asset exceeds its recoverable amount, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(Continued)

(p) Permanent investments-

The permanent investments where there is no control, join control or significant influence exists are classified as other investments, which are initially recognized and maintained valued at acquisition cost. Dividends, if any, received from these investments are recognized in consolidated statement of income caption "Other operating income", except if are from prior periods to the acquisition, in which case are decreased from the permanent investment.

(q) Other assets-

This caption includes mainly the intangible assets that relate to internally developed software, which costs are capitalized and amortized against the results of operations for the year in which the software is ready to operate, by the straight-line method over the estimated useful life as determined by the Bank.

In case of any indication of impairment, the potential impairment loss is determined, and if the net carrying value exceeds the recoverable amount the asset value is written down and the impairment loss is recognized in the results of operations for the year.

Furthermore, the projected net assets of the defined benefit plan are recognized and are recorded in accordance with the provisions of MFRS D-3 "Employee benefits" (see note 16).

(r) Income taxes and employee statutory profit sharing (ESPS)-

The income taxes and ESPS payable for the year are determined in conformity with the applicable tax provisions.

Income taxes payable are presented as liability in the consolidated balance sheet; when the tax prepayments exceed the income tax payable, the difference corresponds to an account receivable.

Deferred income taxes and deferred ESPS are accounted for under the asset and liability method. Deferred taxes and ESPS assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of IT for operating loss carryforwards.

(Continued)

Deferred tax and ESPS assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred ESPS and taxes assets and liabilities of a change in tax rates is recognized in results of operations for the period enacted.

The deferred income tax asset or liability determined from the temporary deductible or taxable differences of the year, are presented in the in the consolidated balance sheet.

Current and deferred ESPS is incorporated under the caption "Administrative and promotional expenses", in the consolidated statement of income.

(s) Capital leases-

Capital leases transactions are recorded as an asset with its corresponding liability for the equivalent at the lower of the present value of minimum lease payments and the market value of the leased asset. The difference between the face value of minimum lease payments and the obligation mentioned above, is recorded during the lease period in the consolidated income statement under the caption "Other operating income (expense)" The asset is depreciated in the same way as other assets held in property when you it is certain that at the end of the lease contract ownership of the leased asset is transferred, otherwise is depreciated over the term of the contract.

(t) Deposit funding-

This caption comprises demand and time deposits of the general public, including money market funding and the placement of debt certificates and bank bonds. Interest is charged to expense on an accruals basis under "Interest expense". For instruments sold at a value different to their face value, the difference is recognized as a deferred charge or credit and amortized on a straight-line basis over the term of the respective instrument.

(Continued)

(u) Provisions-

Based on management's estimates, the Bank recognizes accruals for present obligations where the transfer of assets or the rendering of services is probable and arises as a consequence of past events.

(v) Bank and other borrowings-

Bank and other borrowings comprise short and long-term loans from domestic and foreign banks, loans obtained through credit auctions with the Central Bank and development fund financing. In addition, this caption includes discounted borrowings with agencies specializing in financing economic, production or development activities. Interest is recognized on accruals basis under the caption "Interest expense".

(w) Employees' benefits-

The Bank has a defined contribution pension plan, where the amounts contributed by the Bank are recognized directly as expenses in the consolidated statement of income under "Administrative and promotional expenses" (see note 16).

In addition, there is a plan of defined benefits in place that covers the pensions for retirement, the seniority premiums and legal compensation to which employees are entitled in accordance with the Federal Labor Law, as well as obligations related to corresponding to plans medical benefits, food coupons and life insurance for retirees.

Irrevocable trusts have been established for all plans to manage the respective plan funds and assets, except for severance compensation.

The net periodic cost related to the defined benefit plans, the termination benefits and termination of employment for reasons other than restructuring are charged to operations for each year, based on independent actuarial computations in accordance with generally accepted actuarial procedures and principles, and the provisions of MFRS D-3 "Employees' benefits". The methodology used for calculating the obligations is the projected unit credit, based on actuarial hypotheses reflecting the present value, salary increase and benefit payment probability.

(Continued)

At the date of adoption of MFRS D-3, items pending amortization and relating to past services are amortized over the lower of a maximum of five years or the remaining average working life. Past services arising on a date subsequent to the coming into force of MFRS D-3 are amortized over the remaining average working life. Items pending amortization and relating to past services of termination benefits are immediately recognized in the consolidated income statement.

The balance of actuarial gains or losses at the beginning of each period that exceed 10% of the greater amount between the defined benefit obligation and the plan assets should be amortized considering the remaining average working life of the employees expected to be eligible for the plan benefits.

Actuarial gains or losses of termination benefits are immediately recognized in the consolidated income statement.

(x) Subordinated debt issued-

The subordinated debt is recorded at contractual value and the interest are recognized on accrual basis in the consolidated income statement under the caption “Interest expense”.

(y) Revenue recognition-

Interest on loans granted including the interbank loans fixed to a term less than or equal to three business days, is recorded in income as earned. Interest on past due loans is recognized in income upon collection.

The interest collected in advance, origination loan fees and credit card annual fees are recorded within “Deferred credits and prepayments”, and applied to the year’s results of operations in “Interest income” and “Commission and fee income”, respectively, as accrued, in the term of the loan or during a year, as applicable.

The commissions from assets in custody or under management are recognized in income as accrued in “Commission and fee income”.

(Continued)

Fees on trust transactions are recognized in income as accrued in "Commission and fee income". Such revenues are not accrued when fees are 90 or more calendar days past due, and are recorded in memorandum accounts. When accrued revenues are collected, they are reported directly in income for the year.

Fees for restructured or renewed loans are recorded as deferred credits and amortized against the results of operations for the year in "Interest income" using the straight-line method during the new term of the loan.

Income from leasing and services as fees (Scotia Derivados) are recognized in results as the services are provided.

(z) Foreign currency transactions-

Foreign currency transactions are recognized at the exchange rate prevailing on the date of execution, for consolidated financial statement presentation purposes. In the cases of currencies other than dollars are translated into dollars at the exchange rates as established the Provisions applicable to credit institutions, and the dollar equivalent, together with dollar balances, are then translated into Mexican pesos using the exchange rate determined by the Central Bank.

Foreign exchange gains and losses are reflected in results of operations for the year. At the year-end close date of the consolidated financial statements, foreign currency monetary assets and liabilities are translated into pesos at the FIX exchange rate published by Central Bank, while foreign exchange gains or losses arising from foreign currency translation are recorded in the results of operations for the originating period.

(aa) UDI Trusts-

The provisions published in the Federal Official Gazette dated July 26, 2010 were followed to for purposes of early termination of the mortgage programs.

(ab) Contributions to IPAB-

Among other provisions, the Bank Savings Protection Law created the IPAB, whose purpose is to establish a system to protect the savings of the public and regulate the financial support granted to banking institutions in order to comply with this objective.

(Continued)

According to the Law, IPAB guarantees depositors' accounts up to 400,000 UDIS by individual, corporation or credit institution. The contributions to IPAB are recorded in income statement within the caption "Administrative and promotional expenses".

(ac) Memorandum accounts-

Memorandum accounts corresponds mainly to assets in custody or management and trust transactions.

Client's values held in custody, guarantee or under management, are recorded in the corresponding memorandum accounts in accordance with the accounting criteria established by the Banking Commission, and represent the maximum expected amount at which the Bank is obliged to respond to its clients.

The amounts of the assets in custody or under management are presented in the caption "Assets in custody or under management", while the trust transactions are presented in the caption "Assets in trust or under mandate".

(ad) Contingencies-

Liabilities or important losses related to contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements.

Contingent income, earnings or assets are not recognized until their realization is virtually certain.

(3) Accounting changes-

I. Accounting changes in 2014-

Loan portfolio

On September 24, 2014, SHCP announced a resolution through the Official Gazette, effective from the day after its publication, amending the general provisions applicable to credit institutions, specifically the accounting standard "B-6 Loan portfolio", the main change is as follows:

- Those borrowers declared in bankruptcy that satisfy certain guidelines established in the Bankruptcy Law, are not considered past-due loan portfolio.

(Continued)

Credit rating of loan portfolio granted to financial institutions

On June 24, 2013, the Banking Commision published a resolution in the Official Gazette, amending the Provisions to adopt a methodology of expected loss for credit risk, considering the probability of default, loss given default and exposure at default for financial institutions, this methodology entered into force beginning January 2014. The financial impact was the creation of additional reserves for $15.

Special accounting criteria

As a consequence of flooding and damage caused by hydro-meteorological phenomenon "Odile" on September 19 and October 8, 2014, the Banking Commission authorized, temporally, special accounting principles that the credit institutions may offer to consumer, mortgages and commercial loans of customers that (i) live or have their source of payment in the towns declared a disaster area in Baja California Sur, Sinaloa and Sonora, and (ii) that were classified as current at the day of the sinister established in the declarations issued by the Government Ministry in September 2014.

The accounting effects on the application of special accounting criteria are described in the note 9g.

II. New MFRS and MFRS improvements 2014-

The CINIF has issued the following MFRS and MFRS Improvements, which adoption did not generate important effects in the consolidated financial statements of the Bank.

MFRS-

- MFRS C-11 "Stockholders' equity"-
- MFRS C-12 "Financial instruments with characteristics of liabilities and equity"-
- MFRS C-14 "Transfer and disposal of the financial assets"-

(Continued)

2014 MFRS improvements-

- MFRS C-5 “Prepayments”-
- MFRS D-3 “Employees’ benefits”-
- MFRS C-15 “Impairment of long-lived assets and their disposal”-

Accounting changes in 2013-

I. Change in allowance for loan losses methodology for commercial loan portfolio:

On June 24, 2013, a resolution that amended the Provision was published in the Official Gazette, in order to change the current credit rating model and creation of reserves from the incurred loss model to an expected loss model taking into consideration the factors of probability of default, loss given default and exposure at default, which is applicable not later than December 31, 2013, however, for purposes of commercial loan portfolio granted to corporations and individuals with business activity with annual net revenues or sales equivalent or higher than 14 million UDIS, the Bank applied the prescribed in transitory article seven applicable to credit institutions that had prior authorization by the Banking Commission to use an internal model based on expected loss, therefore the Bank is in the process of recertification of its internal methodology for such loan portfolio.

In response to the resolution mentioned in the previous paragraph, at December, 31, 2013, the Bank recognized the financial effect resulting from the application of the methodology included in the resolution dated June 24, 2013 for an amount of $278, which includes commercial loan portfolio granted to corporations and individuals with business activity with annual net revenues or sales equivalent or lower than 14 million UDIS, as well as collection rights from financial asset-backed trusts that were reclassified to “Loan portfolio”.

The Bank made all reasonable efforts to determine the effect of the retrospective application of the new methodology for allowance for loan losses for commercial loan portfolio, however, the determination was impractical because: i) the historical information does not have the same performance, ii) significant estimates are required from previous periods and, iii) it is not possible to objectively determine if the required information is available or was available in prior years, therefore the financial effect was recorded in the consolidated balance sheet as a credit to the allowance for loan losses and debit to stockholders’ equity within the caption "Retained earnings" as established by the Provisions.

(Continued)

(Millions of Mexican pesos)

The financial effect corresponds to the application of new methodology for allowance for loan losses for commercial loan portfolio granted to corporations and individuals with annual net revenues or sales equivalent or lower than 14 million UDIS and collections rights from financial asset-backed trusts, not including financial institutions, which new methodology is applicable beginning January 2014, nor commercial loan portfolio granted to corporations and individuals with annual net revenues or sales higher than 14 million UDIS, given that the Bank is authorized by the Banking Commission to apply its own internal methodology, which is based on an expected loss model. On February 5, 2014, the Banking Commission confirmed the authorization mentioned above, while the information provided by the Bank for recertification of the internal methodology is analyzed by the Banking Commision.

Following is the effect from change in methodology:

New methodology			Prior methodology			
Risk grade	**% of provision**	**Amount of provision**	**Risk grade**	**% of provision**	**Amount of provision**	**Increase (decrease) in allowance for loan losses**
A-1	0 to 0.9	$ 7	A-1	0 to 0.50	$ 11	$ (4)
A-2	0.901 to 1.5	14	A-2	0.51 to 0.99	10	4
B-1	1.501 to 2.0	152	B-1	1 to 4.99	10	142
B-2	2.001 to 2.5	3	B-2	5 to 9.99	36	(33)
B-3	2.501 to 5.0	38	B-3	10 to 19.99	-	38
C-1	5.001 to 10.0	18	C-1	20 to 39.99	-	18
C-2	10.001 to 15.5	2	C-2	40 to 59.99	-	2
D	15.501 to 45.0	108	D	60 to 89.99	-	108
E	Higher than 45.0	3	E	90 to 100	-	3
		$ 345			$ 67	$ 278

II. New MFRS and MFRS Improvements 2013-

The CINIF has issued the following MFRS and MFRS Improvements, which adoption did not generate important effects in the consolidated financial statements of the Bank.

MFRS-

- MFRS B-8 "*Consolidated or combined financial statements*"-

(Continued)

- MFRS C-7 *"Associates, joint ventures and other permanent investments"*-
- MFRS C-21 *"Joint arrangements"*-

2013 MFRS Improvements-

- MFRS C-5 "*Prepayments*"
- MFRS C-9 "*Liabilities, provisions, contingent assets and liabilities, and commitments*"
- MFRS C-12 "*Financial instruments with characteristics of liabilities, equity, or both*"
- MFRS D-4 "*Income Taxes*"
- MFRS D-5 "Leases"
- MFRS B-8 "*Consolidated or combined financial statements*"
- MFRS C-7 "*Associates, joint ventures and other permanent investments*"
- MFRS C-21 "Joint arrangements"

(4) Foreign currency position-

Central Bank regulations require that banks maintain balanced positions in foreign currencies within certain limits. The short or long position permitted by the Central Bank is equal to a maximum of 15% of the basic capital computed as of the third immediately preceding month. Therefore, as of December 31, 2014 and 2013, the Bank's position is within the authorized limits. The consolidated foreign currency position is analyzed as follows:

	Millions of dollars		Equivalent in pesos	
	2014	**2013**	**2014**	**2013**
Assets	5,222	3,001	$ 76,980	39,266
Liabilities	(5,234)	(3,005)	(77,156)	(39,318)
Short position	(12)	(4)	$ (176)	(52)

(Continued)

(Millions of Mexican pesos, except exchange rate)

At December 31, 2014, the short position in foreign currency consists of 91% in U.S. dollars (79% en 2013) and 9% in other foreign currencies (21% in 2013).

The exchange rate relative to the U.S. dollar at December 31, 2014 and 2013, was $14.7414 pesos per dollar and $13.0843 pesos per dollar, respectively, and on February 20, 2015, the authorization issuance date of the consolidated financial statements, was $15.0757 pesos per dollar.

(5) Cash and cash equivalents-

Cash and cash equivalents at December 31, 2014 and 2013 are as follows:

		2014	2013
Cash in hand	$	5,130	4,070
Banks:			
Domestic		96	11
Foreign		3,870	1,096
Call money		2,074	6,393
24, 48, 72 and 46-hour foreign currency sales		(3,699)	(1,794)
Other funds available		3	59
Restricted funds:			
Deposits with the Central Bank		13,512	12,823
24, 48, 72 and 96-hour foreign currency purchase		6,530	1,804
Compensation fund to operate derivatives		379	516
	$	27,895	24,978

Beginning June 17, 2014, the Central Bank, through “Circular 9/2014”, established new rules for monetary regulation deposit, which may be comprised of cash, securities or both. Derived from the above, the Central Bank through “Circular 10/2014” published the rules for the auction of Limited Negotiation Monetary Regulatory Bonds (Bonos de Regulación Monetaria de Negociabilidad Limitada or BREMS-L). To this end, the Bank acquired BREMS-L issued by the Central Bank, which were settled with resources from the deposit of monetary regulation that the Bank held. At December 31, 2014, the amount of BREMS-L amounts to $1,145 and are classified as held-to-maturity securities (see note 6). The amount of these securities is part of monetary regulation deposit, therefore these securities may only decrease as the deposit increases in cash.

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At December 31, 2014 and 2013, the deposits with the Central Bank relate to deposits for monetary regulation amounting to $13,511 and $12,787, respectively, with no maturity. Interest earned on the deposit in the Central Bank at December 31, 2014 and 2013 were $1 and $36, respectively.

At December 31, 2014, the Bank had an asset (liability) balance for foreign currency purchase and sale transactions payable at a date later than the date agreed for $2,482 and ($5,310), respectively, ($1,532 and ($1,543), respectively, at December 31, 2013), which were recognized in settlement accounts within "Other accounts receivable, net" and "Creditors on settlement of transactions", as appropriate.

At December 31, 2014 and 2013, the Bank had the following Call money:

	2014			2013		
Institution	**Amount**	**Annual Rate**	**Term**	**Amount**	**Annual Rate**	**Term**
Banco Nacional de México, S. A.	$ –	–	–	$ 2,443	3.40%	2 days
Banco Mercantil del Norte, S. A.	–	–	–	1,500	3.45%	2 days
Banco Inbursa, S. A.	1,000	2.93%	2 days	2,000	3.44%	2 days
Nacional Financiera, S. N. C.	–	–	–	450	3.50%	2 days
HSBC México S. A.	1,074	3.00%	2 days	–	–	–
	$ 2,074			$ 6,393		

At December 31, 2013, the Bank had 19,612 gold and silver coins (3,594 of gold of and 16,018 of silver), the quoted market prices used for translation purposes are those issued by the Central Bank; purchase and sale transactions are 24 and 48 hour. The value of such metals is shown under "Other Funds available" and is analyzed as follows:

	2014	**2013**
Immediate notes receivable	$ 3	10
Precious metal coins:		
Gold	–	44
Silver	–	5
	–	49
	$ 3	59

(Continued)

(Millions of Mexican pesos)

At December 31, 2014 and 2013, foreign currency receivable and deliverable in connection with the purchases and sales to be settled within 24, 48, 72 and 96 hours are as follows:

	Receivable in pesos		Deliverable in pesos	
	2014	2013	2014	2013
Dollar	$ 6,154	1,714	2,846	1,685
Other currencies	376	90	853	109
	$ 6,530	1,804	3,699	1,794

At December 31, 2014 and 2013, earnings from operations of buy/sell metals and currencies amounted to $905 and ($464), respectively, the valuation result amounts to ($34) in 2014 and $513 in 2013, which are recorded under "Financial intermediation income".

(6) Investment securities-

(a) At December 31, 2014 and 2013, the Bank's investment securities are as follows:

	2014	2013
Trading:		
Debt securities:		
Government securities	$ 17,545	11,546
Bank promissory notes	589	15
Others	64	232
Equity shares	–	9
	18,198	11,802
Available-for-sale:		
Debt securities:		
Government securities	29,343	25,545
Bank promissory notes	2,366	1,129
Others	602	684
Equity shares	2	2
	32,313	27,360
Held-to-maturity:		
Special CETES of the UDI Trust:		
Residential mortgages	2,209	2,143
Bonds	1,145	–
	3,354	2,143
Total investment securities	$ 53,865	41,305

(Continued)

(Millions of Mexican pesos)

(b) At December 31, 2014 and 2013, the fair value of the securities classified as trading and available-for-sale, are analyzed as follows:

		2014	2013
Trading:			
Debt securities:			
Government securities (unrestricted):			
BI CETES	$	66	58
Value date sales:			
BI CETES		(236)	(107)
M BONOS		(8,199)	(1,658)
S UDIBONO		(1,120)	(25)
LD BONDESD		(100)	–
BPAT		–	(50)
		(9,655)	(1,840)
(Assigned securities to be settled unrestricted securities)	$	(9,589)	(1,782)
Restricted securities:			
CETES delivered as collateral	$	112	90
Under repurchase/resell agreements:			
BI CETES		466	2,725
BPAS		–	5
IS BPA 182		24	313
IT BPAT		33	33
LD BONDESD		5,780	6,692
M BONOS		3,990	956
S UDIBONO		–	20
CBUR		630	39
BPAG		–	59
IQ BPAG91		437	–
IM BPAG28		13	–
		11,373	10,842
Carried forward	$	11,485	10,932

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		2014	2013
Trading:			
Brought forward	$	11,485	10,932
Value date purchases:			
BI CETES		2,968	–
LD BONDESD		100	–
M BONOS		1,973	541
BPAT		–	50
S UDIBONO		1,019	23
		6,060	614
Total government securities	$	17,545	11,546
Restricted securities			
Under repurchase/resell agreements:			
BANCOMEXT:			
PRLV	$	318	–
BANOBRA:			
PRLV		21	–
CBBN		–	15
NAFINSA:			
CBBD		250	–
Total bank promissory notes	$	589	15
Under repurchase/resell agreements:			
Other:			
CBUR	$	14	116
CBPC		50	116
Total other debt securities	$	64	232
Equity shares	$	–	9

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		2014	2013
Available-for-sale:			
Debt securities:			
Domestic government securities:			
BI CETES	$	684	1,642
LD BONDESD		1,115	1,445
BPAS		–	120
M BONOS		–	417
CABEI		–	–
		1,799	3,624
Foreign government securities:			
BRAZM14		408	–
BRAZQ28		337	–
BRAZG46		726	599
UMS15F		457	475
UMS14F		–	222
UMS14F2		–	149
		1,928	1,445
Restricted or pledged as collateral			
BRAZG46		611	217
BRAZD15		–	359
		611	576
Restricted securities:			
Under repurchase/resell agreements:			
LD BONDESD		25,005	19,488
M BONOS		–	412
		25,005	19,900
Total government securities	$	29,343	25,545

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		2014	2013
Available-for-sale (continued):			
Bank promissory notes:			
Own position:			
BANOBRA	$	363	69
BANORTE		1,003	–
BANSAN		1,000	–
BACMEXT		–	451
		2,366	520
Restricted securities:			
Under repurchase/resell agreements:			
BANOBRA		–	609
Total banking promissory notes	$	2,366	1,129
Other:			
Own position:			
MOLYMET	$	151	151
MONTP10		–	82
CABEI		451	451
Total other	$	602	684
Equity shares	$	2	2

(c) At December 31, 2014 and 2013, the amortized cost of the securities classified as held to maturity, is analyzed as follows:

		2014	2013
Held-to-maturity:			
Government securities:			
CETES B4 170713	$	810	786
CETES B4 270701		1,023	993
CETES B4 220804		2	2
CETES B4 220707		362	351
CETES BC 170713		12	11
Total special CETES (note 9d)		2,209	2,143
BONOS XL BREMSL (restricted, note 5)		1,145	–
Total governmental securities	$	3,354	2,143

(Continued)

(Millions of Mexican pesos)

As of December 31, 2014, the Bank held an asset (liability) balance for transactions with securities settled on a date subsequent to the agreed-upon date for $9,513 and ($5,922), respectively, ($1,688 and ($464), respectively, as of December 31, 2013), which were recognized in settlement accounts within "Other accounts receivable, net" and "Creditors on settlement of transactions", as appropriate.

The gain or loss from valuation of available-for-sale securities as of December 31, 2014 and 2013, recognized in other comprehensive income within stockholders' equity amounted to $12 ($7 net of deferred taxes) (($322) (($193) net of deferred taxes) as of December 31, 2013). The valuation result from securities available for sale in hedge transactions at fair value recognized in income statement for the years ended December 31, 2014 and 2013, amounts to $17 and ($14), respectively.

For the years ended December 31, 2014 and 2013, the net gains from interest income, gains or losses from purchase and sale transactions, and valuation income from investments in securities are detailed below.

		2014	2013
Trading	$	399	572
Available-for-sale		1,033	1,248
Held-to-maturity		85	80
	$	1,517	1,900

(d) Issuers over 5% of the Bank's net capital-

At December 31, 2014 and 2013, there is no investment in non-governmental debt securities of a single issuer exceeding 5% of the Bank´s net capital.

(e) Additional payment for sale of Indeval´ share

In 2008, the Bank sold the share they owned of S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V. (Indeval), with such sale, there was the posibility of receiving a payment in the case the Exchange Market Law (Ley de Mercado de Valores) was amended to allow any stockholder to own more than one share of Indeval. In January 2014, this amendment was made and as a result, in Agust 2014, the Bank received additional payment for the amount of $22, which were recognized in income statement under "Financial intermediation income".

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(7) Securities on repurchase/resell agreements-

At December 31, 2014 and 2013, the "Debtors on repurchase/resell agreements" and "Creditors on repurchase/resell agreements" balances in which the Bank acts as repurchasee, are analyzed as follows:

	Debtors on repurchase/resell agreements		Creditors on repurchase/resell agreements	
	2014	**2013**	**2014**	**2013**
LD BONDESD	$ 12,263	20,872	(30,390)	(26,098)
M BONOS	2,500	7,440	(3,987)	(956)
BG91	1,000	–	(437)	–
BPAS	2,005	–	(24)	(5)
CBIC	500	–	–	–
BPAG	–	8,903	(13)	(59)
BPA 182	–	5,765	(33)	(313)
BI CETES	–	1,300	(349)	(2,517)
CBBN	–	205	–	(625)
CBUR	–	–	(645)	(155)
PRLV	–	–	(338)	–
CBBD	–	–	(250)	–
CBPC	–	500	(49)	(115)
BPAT	–	–	–	(33)
UDIB	–	–	–	(20)
	$ 18,268	44,985	(36,515)	(30,896)
Collateral sold or pledged (creditor):				
LD BONDESD	(9,847)	(18,563)	–	–
M BONOS	(1,000)	(7,440)	–	–
BPAS	(2,005)	–	–	–
CBIC	(500)	(500)	–	–
BPA 182	–	(2,757)	–	–
BI CETES	–	(1,300)	–	–
CBBN	–	(205)	–	–
BPAG	–	(8,879)	–	–
	(13,352)	(39,644)	–	–
Debtors (creditors) on repurchase/resell agreements	$ 4,916	5,341	(36,515)	(30,896)

(Continued)

(Millions of Mexican pesos)

At December 31, 2014 and 2013, the terms of resell/repurchase agreements vary between 2 and 77 days (2 and 32 days in 2013), with annual weighted rates of 3.13% acting as repurchasee, and 2.85% acting as repurchaser (3.59% and 3.37% in 2013).

During the years ended December 31, 2014 and 2013, interest or premiums collected amounted to $1,382 and $1,323, respectively; interest or premiums paid amounted to $2,346 and $2,235, respectively, and are included in the consolidated statements of income under the caption "Interest income" and "Interest expense", respectively (see note 21b).

At December 31, 2014 and 2013, the Bank received government securities as guarantee for over three-day repurchase agreements, which include and recorded in memorandum accounts and are analyzed as follows:

Issuer	Series	Number of certificates		Market value
2014:				
Guarantees received:				
IS BPA 182	180705	230,356	$	24
IS BPA 182	200730	145,290		15
IS BPA 182	160331	68,392		7
LD BONDESD	161229	17,134		2
Total guarantees received			$	48
Guarantees delivered:				
BI CETES	150723	2,015,962	$	20
BI CETES	150528	791,086		8
Total guarantees delivered			$	28
2013:				
Guarantees received:				
BI CETES	140403	6,029,675	$	60
IS BPA182	150917	349,820		35
IS BPA182	171005	55,034		5
IQ BPAG 91	181018	60,860		6
Total guarantees received			$	106
Guarantees delivered:				
BI CETES	140626	4,213,835	$	41
BI CETES	140821	4,530,526		44
Total guarantees delivered			$	85

(Continued)

(Millions of Mexican pesos)

(8) Derivatives-

At December 31, 2014 and 2013, the valuation of derivative financial instruments for trading and hedging purposes, recognized under the caption "Derivatives", is analyzed as follows:

		2014		2013	
		Assets	**Liabilities**	**Assets**	**Liabilities**
Trading purposes:					
Forward contracts	$	2,771	3,135	160	185
Futures		5	–	1	1
Options		602	457	1,078	978
Swaps		1,873	2,268	1,370	1,669
Package of derivative instruments		1	6	–	5
		5,252	5,866	2,609	2,838
Hedging purposes:					
Fair value hedges		8	41	13	66
Cash flow hedges		45	365	246	226
		53	406	259	292
	$	5,305	6,272	2,868	3,130

For the years ended December 31, 2014 and 2013, the amount of losses recognized in results from the impairment of derivatives for trading purposes amounted to ($8) and ($6) and for hedging purposes $19 and ($19), respectively.

The net income (loss) for the years ended December 31, 2014 and 2013, derived from the ineffectiveness of instruments used for cash-flow hedging purposes amounted to ($8) and $2, respectively. The effect of loss from valuation relating to the effective hedge portion at December 31, 2014, amounts to $361 ($220 net of the deferred tax). At December 31, 2013, the gain from valuation realting to the effective hedge portion was $407 ($240 net of the deferred tax), which are presented in stockholders' equity.

At December 31, 2014, the gain (loss) of cash flow hedge instruments that were reclassified from stockholders' equity to the year's results of operations within "Interest income" and "Interest expense" was $85 and ($357) ($53 and ($220) at December 31, 2013).

The net estimated effect, based on the results of January 2015 and projected to 12 months, of the accumulated ineffectiveness of hedging derivative transactions which are expected to be reclassified to consolidated statement of income during the following twelve months is minimum.

(Continued)

At December 31, 2014 and 2013, the gain and (losses) from valuation of fair value hedging derivatives were $25 and ($21), respectively, while the loss from valuation of the hedged item related to the hedged risk was ($21) and ($68), respectively.

At December 31, 2014 and 2013, the net losses on financial assets and liabilities related to trading derivatives are $366 and $456, respectively. Such results are part of a synthetic strategy, with non-derivative foreign exchange purchase and sale transactions, which gains from buy/sell transactions and valuation results at December 31, 2014 amounted to $897 and ($37), respectively, (($462) and $515 in 2013, respectively), and are presented in "Financial intermediation income".

Fort the years ended December, 31 2014 and 2013, the Bank foresees that all transactions to hedge forecasted cash flows are highly likely to occur.

At December 31, 2014 and 2013, the Bank had transactions settled on a date subsequent to the agreed-upon date.

The Bank may reduce or modify the market risk mainly through two activities: converting fixed to variable rate financial assets and floating-rate to fixed rate financial liabilities. Both transformations are achieved using interest rate swaps and foreign exchange swaps related to different rates of interest.

At December 31, 2014, out of all hedging derivative transactions, there are 225 agreements (229 agreements in 2013) totaling $24,370 ($24,220 in 2013) and are converting liabilities, assets in securities and 28 and 30 days loans classified as hedges under the cash flow methodology, the remainder relates to hedges of credit and bonds for $6,407 ($26,251 in 2013) and for value hedges are classified as covered under the fair value methodology.

The Bank uses derivative financial instruments with the purpose of properly dealing with interest rate and exchange rate risks inherent to loan, deposit and investment on securities and on repurchase/resell agreements, all of which are characteristic of commercial banking. The most widely used instruments are interest rate and currency swaps, whereby floating rate instruments are transformed into fixed rate instruments and vice versa or assets denominated in foreign currency are translated into domestic currency or vice versa. Derivatives may be used for hedging cash flows or the economic value of various Bank assets and liabilities. There are defined control policies for the designation and continuous follow up of the effectiveness of such hedges.

(Continued)

(Millions of Mexican pesos)

(9) Loan portfolio-

(a) Classification of loan portfolio by currency-

At December 31, 2014 and 2013, the classification of loans into current and past due by currency, which includes the restructured portfolio in UDI Trusts (valued in domestic currency), is as follows:

	2014		2013	
	Current	**Past due**	**Current**	**Past due**
In assets:				
Pesos:				
Business or commercial activity	$ 47,502	1,474	40,133	809
Financial institutions	16,430	56	16,409	–
Government entities	5,015	–	3,213	–
Consumer loans	24,820	1,200	25,601	832
Residential mortgages	64,643	2,745	54,498	2,522
	158,410	5,475	139,854	4,163
Foreign currency translated into pesos:				
Business or commercial activity	11,921	24	10,004	21
Financial institutions	2,510	21	2,451	–
Residential mortgages	127	65	118	66
	14,558	110	12,573	87
	$ 172,968	5,585	152,427	4,250
	178,553		156,677	
In memorandum accounts:				
Loan commitments (see note 20a)	8,194		6,087	
	$ 186,747		162,764	

As of December 31, 2014 and 2013, the Bank has no restricted portfolio.

(Continued)

(Millions of Mexican pesos)

(b) Classification of loan portfolio by economic sector-

At December 31, 2014 and 2013, credit risk including loans, guarantees and loan commitments, (see note 20a) classified by economic sector and the percentage of concentration are analyzed as follows:

		2014		2013	
		Amount	**%**	**Amount**	**%**
Agriculture, forestry and fishing	$	4,711	3	3,812	2
Commerce and tourism		16,655	9	13,929	9
Construction and housing *		70,595	38	60,211	37
Manufacturing		26,803	14	19,035	12
Consumer loans and credit cards		26,020	14	26,433	16
Community, social and personal services mainly government entities		9,424	5	9,918	6
Financial, insurance and real estate services		31,717	17	28,727	18
Transportation, warehousing and communication		822	–	699	–
	$	186,747	100	162,764	100

*Includes portfolio of mortgage loans in 2014 for $67,580 and $57,204 in 2013.

(c) Loans to government entities-

At December 31, 2014 and 2013, loans granted to government entities are analyzed as follows:

		2014	**2013**
Receivables under financial support programs	$	67	135
Governments, municipalities and state secretariats		4,948	3,078
Total loans to government entities	$	5,015	3,213

(d) Early termination of mortgage programs-

On July 15 and 26, 2010, the relevant agreement was executed and the Official Gazette published the general provisions applicable to the early termination of the support programs for housing loan debtors, which included the requirements for the loans eligible to participate, as mentioned in the next page.

(Continued)

(Millions of Mexican pesos)

(i) Loans that have been restructured or granted in UDIS under the UDIS programs irrespective of whether or not they are entitled to the discount program benefits,

(ii) domestic currency-denominated loans entitled to the discount program benefits,

(iii) loans that as of December 31, 2010 (cut-off date) are current and,

(iv) past-due loans that were restructured or to which a debt relief, discount or allowance was applied no later than December 31, 2010, and for which evidence substantiating payment for at least three consecutive amortizations no later than March 31, 2011 exists.

As a result of the foregoing, the amounts of the discounts granted and the effects of the early termination on the Bank's financial information are as follows:

- At December 31, 2010, the amount of the conditional discount portion payable by the Federal Government in connection with the mortgage programs related to the UDI trusts and own UDI-denominated loans, for the current loan portfolio amounted to $81 and $74, respectively.

- In May 2011, $7 was recorded in accounting, thus reducing the loan due by the Federal Government, which was charged to the allowance for loan losses, due to the default of 29 borrowers, under the Agreement to prove "Fulfillment of payment" by March 31, 2011.

- The amount of the discounts applied prior to the signing of the Discount Program is $178.

For the discounts payable by the Federal Government, a five-year loan payable on an annual basis was recognized under "Commercial loans – Government Entities", being part of the current loan portfolio. The general terms of the loan payable by the Federal Government is shown below:

Annuity	Payment date
First	December 1, 2011
Second	June 1, 2012
Third	June 3, 2013
Fourth	June 2, 2014
Fifth	June 1, 2015

(Continued)

(Millions of Mexican pesos)

A financial cost charged monthly to the loan payable by the Federal Government by calculating for January 2011 the arithmetic average rates of annual return of 91-day CETES issued in December 2010, and for subsequent months, the interest rates of 91-day CETES futures for the immediately preceding month, as published by Proveedor Integral de Precios, S. A. (PIP) the business day immediately following the cut-off date, or the interest rate of the month closer to such publication, as appropriate, on 28-day yield curves, by dividing the resulting rate by 360 days and multiplying the result by the number of days actually elapsed during the interest-bearing period, with capitalization on a monthly basis. The Federal Government's payment obligations will be subject to the agreement provisions.

The Bank has received four annual payments on the discounts due by the Federal Government under the Agreement; the payments dates are shown below:

Payment date	Annuity	Capital	Interests
June 18, 2014	Fourth	$ 66	$ 5
June 3, 2013	Third	66	9
June 1, 2012	Second	66	6
December 1, 2011	First	66	14

At December 31, 2014 and 2013, the Bank did not apply any amount to the remaining balance of the trust liability payable by the Bank and that should be charged to the allowance for credit risks.

The Special Cetes currently recorded by the Bank at December 31, 2014 under "Investment securities – Held-to-maturity securities" (see note 6a), are as follows:

	Securities	**Amount**	**Maturity date**
Cetes especiales B4 170713	8,867,241	$ 810	July 13, 2017
Cetes especiales B4 220707	3,961,831	362	July 7, 2022
Cetes especiales B4 220804	21,792	2	August 4, 2022
Cetes especiales B4 270701	11,209,686	1,023	July 1, 2027
Cetes especiales BC 170713	404,851	12	July 13, 2017
Total special Cetes		$ 2,209	

There are no significant amounts in the captions of other assets and liabilities arising from trust termination.

(Continued)

(Millions of Mexican pesos)

(e) Additional loan portfolio information-

Annual weighted lending rates:

Annual weighted loan interest rates during 2014 and 2013 were as follows:

	2014	**2013**
Commercial loans*	5.30%	5.97%
Personal loans	17.10%	17.28%
Credit cards	27.13%	25.91%
Residential mortgages	10.59%	11.23%

* Includes commercial, financial and government entities loans.

Loans rediscounted with funding:

The Mexican Government has established certain funds for the promotion and development of specific areas of the agriculture, cattle-raising, industrial and tourism sectors, which are managed by the Central Bank, Nacional Financiera S. N. C. (NAFIN), Banco Nacional de Comercio Exterior (Bancomext) and Fideicomisos Instituidos en relación con la Agricultura (FIRA) by rediscounting loans with funding. At December 31, 2014 and 2013, the amount of loans granted under these programs totaled $4,763 and $4,685, respectively, and the related liability is included in "Bank and other borrowings" (see note 15).

Restructured loans:

At December 31, 2014 and 2013, restructured and renewed loans are analyzed as follows:

	Current loans	**Past due loans**	**Total**
2014			
Commercial loans	$ 2,404	490	2,894
Residential mortgages	5,517	563	6,080
Consumer loans	271	96	367
	$ 8,192	1,149	9,341

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2013		**Current loans**	**Past due loans**	**Total**	
Commercial loans	$	1,253	330	1,583	(1)
Residential mortgages		4,236	525	4,761	
Consumer loans		32	9	41	
	$	5,521	864	6,385	

(1) From the total balance of restructured residential mortgage loans as of December 31, 2013, there was one loan which required additional guaranties for $46.

During 2014 and 2013, the Bank carried out some modifications to the original terms of loans classified as commercial loans for $1,461 and $1,007, respectively, which were not considered restructures.

Current commercial loans restructured and renewed by the Bank during 2014 and 2013, which continue being current, amount to $1,191 and $125, respectively; for mortgage portfolio were $1,990 and $405, respectively.

During the years 2014 and 2013, the Bank recorded restructuring from past due commercial loans which remained as past due for $319 and $144, respectively. Also in 2014 and 2013, the Bank made restructure from past due mortgages loans for $50 and $56, respectively.

The restructuring consumer loans current and past due made by the Bank during 2014 amount to $271 and $96, respectively. During 2013, the Bank did not restructure consumer loans.

During the years 2014 and 2013, capitalization of interest was for $5 and $9, respectively.

Risk concentration:

At December 31, 2014, the Bank has three economic group debtors that exceeded 10% of its basic capital. The amount of funding to these groups is $18,458 and represent 75% of the basic capital as of September, 2014. At December 31, 2013, the Bank has two economic group debtor that exceeded such limit totaling $14,256 and represent 51% of its basic capital of September, 2013. The balance of the loans granted to the three largest debtors as of December 31, 2014 and 2013, amount to $18,458 and $16,872, respectively.

(Continued)

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Past due loan portfolio:

An analysis of past due loans at December 31, 2014 and 2013, from the date the loans were considered past due, are summarized below:

		1 to 180 days	181 to 365 days	1 a 2 years	Over 2 years	Total
2014						
Commercial*	$	620	360	403	192	1,575
Consumer		1,122	68	5	5	1,200
Residential mortgages		1,406	519	590	295	2,810
	$	3,148	947	998	492	5,585
2013						
Commercial*	$	178	132	348	172	830
Consumer		783	46	–	3	832
Residential mortgages		1,425	521	426	216	2,588
	$	2,386	699	774	391	4,250

* Includes commercial loans, loans to financial institutions and government entities.

The movement in the past due loan portfolio for the years ended December 31, 2014 and 2013, is summarized below:

		2014	2013
Balance at beginning of year	$	4,250	2,873
Settlements		(125)	(16)
Write-offs and debt forgiveness		(2,348)	(1,672)
Net increase		3,804	3,063
Foreign exchange fluctuation		4	2
	$	5,585	4,250

The interest on the past due loan portfolio not recognized in results of operations for the year ended December 31, 2014 amounted to $329 ($275 in 2013), which are recorded in memorandum accounts.

For the years ended December 31, 2014 and 2013, the Bank recorded write-offs from those past due loans that had been fully reserved for $1,905 and $1,354, respectively. In both years there was no application of reserves to loans granted to related parties.

For the years ended December 31, 2014 and 2013, the Bank obtained recoveries from written-off loans for $658 and $473, respectively.

(Continued)

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Impaired loans:

At December 31, 2014, the balance of impaired commercial loans is $3,680 ($2,343 in 2013), from which $2,105 are recorded in current loans ($1,513 in 2013), and $1,575 are recorded in past due loans ($830 in 2013).

Adjustment from valuation of financial asset hedging:

The fair value hedges of interest rate risk of a portion of a portolio comprised of financial assets, could generate an adjustment to the carrying amount of the hedged item, the gain or loss is recorded in the consolidated income statement and is presented under valuation adjustments for hedging financial assets.

At December 31, 2014 and 2013, the adjustment to the carrying value of the loan portfolio from the gain or loss recognized in results of operations for the year is presented under the caption “Valuation adjustment from hedging of financial assets" in the consolidated balance sheet for $19 and $47, respectively.

(f) Allowance for loan losses-

As of December 31, 2014, as a result from the application of the new allowance for loan losses methodology, the probability of default, loss given default and exposure at default by type of loan portfolio, obtained as weighted average from the exposure at default, are as follows:

Type of loan portfolio	Probability of default	Loss given default	Exposure at default
Commercial*	4.62%	52.19%	$ 90,749
Residential mortgages	4.68%	22.41%	67,579
Personal loans	10.60%	64.80%	18,228
Revolving	13.80%	75.18%	10,492

The parameters are weighted on the loans of each of the portfolios. Exposure at default shown for credit includes credit commitments.

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At December 31, 2014, the credit rated loan portfolio and the allowance for loan losses are analyze as follows:

Credit rated portfolio

Grade of risk		Commercial	Financial institutions	Government entities	Consumer	Residential mortgages	Total
A-1	$	53,457	8,722	4,787	12,421	53,841	133,228
A-2		1,308	8,877	7	2,237	6,421	18,850
B-1		1,028	1,421	–	2,232	1,343	6,024
B-2		412	1,757	–	1,940	1,204	5,313
B-3		1,614	3,750	201	1,769	780	8,114
C-1		1,422	196	26	1,100	1,367	4,111
C-2		546	–	–	1,517	606	2,669
D		2,090	–	–	1,628	1,396	5,114
E		1,423	103	–	1,176	622	3,324
Total	$	63,300	24,826	5,021	26,020	67,580	186,747

Allowance for loan losses

A-1	$	182	33	13	165	95	488
A-2		16	98	–	99	38	251
B-1		17	23	–	278	11	329
B-2		9	38	–	118	15	180
B-3		61	112	7	120	13	313
C-1		89	12	2	104	39	246
C-2		64	–	–	244	50	358
D		487	–	–	690	255	1,432
E		1,023	102	–	716	180	2,021
Partial	$	1,948	418	22	2,534	696	5,618

Additional reserves for residential mortgages past due loans		367
Operational risk reserve		38
Additional reserve for past due accrued interest		52
Specific reserves authorized by the Banking Commission		73
Total allowance for loan losses	$	6,148

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At December 31, 2013, the credit rated loan portfolio and the allowance for loan losses are analize as follows:

Credit rated portfolio

Grade of risk		Commercial	Financial institutions	Government entities	Consumer	Residential mortgages	Total
A-1	$	39,800	9,454	1,065	12,501	44,829	107,649
A-2		5,803	4,185	1,790	1,947	5,566	19,291
B-1		1,063	8,730	–	2,107	1,151	13,051
B-2		261	318	6	2,020	1,171	3,776
B-3		2,772	1	300	2,637	688	6,398
C-1		883	–	–	1,101	1,337	3,321
C-2		498	–	52	1,556	637	2,743
D		1,082	–	–	1,604	1,557	4,243
E		1,064	–	–	960	268	2,292
Total	$	53,226	22,688	3,213	26,433	57,204	162,764

Allowance for loan losses

		Commercial	Financial institutions	Government entities	Consumer	Residential mortgages	Total
A-1	$	174	45	5	157	77	458
A-2		78	41	23	94	33	269
B-1		20	150	–	288	10	468
B-2		6	32	–	119	14	171
B-3		87	–	11	170	12	280
C-1		53	–	–	106	40	199
C-2		66	–	6	246	51	369
D		281	–	–	639	279	1,199
E		700	–	–	540	102	1,342
Partial	$	1,465	268	45	2,359	618	4,755
Additional reserves for residential mortgages past due loans							93
Operational risk reserve							14
Additional reserve for past due accrued interest							52
Specific reserves authorized by the Banking Commission							40
Total allowance for loan losses						$	4,954

(Continued)

(Millions of Mexican pesos)

The internal methodology for determining the allowance for loan losses for commercial loans is based on an internal model developed by the Bank on the expected loss, which was authorized by the Banking Commission and was applicated for the fisrt time in 2012 and at December 31, 2014, is in process of recertification. The model enables a reliable estimate of the need allowance. The internal methodology only applies to customers whose loans have higher net sales or revenues of 14 millions of UDIS.

Derived from the reclassification of the collection rights to the caption “Commercial loans” on December 31, 2013, the allowance for loan losses related to this portfolio was recognizedse against the prior years’ results, which was determined and recorded in accordance with the mentioned Provisions.

Specific estimates recognized by the Banking Commission

Through official letter number 142-2/6584/2012 dated October 15, 2012, the Banking Commission authorized the Bank to create additional reserves for covering FOVI (Fund for the Operations and Bank Financing of Housing) type loans. The allowance was determined by analyzing such portfolio and the need of recording specific allowances for loans with guarantees with recovery deficiencies on the unpaid balance provided for by such Fund. The authorized additional allowance amounts to $97, which will be accounted for on a monthly basis over 36 months, at a monthly rate of $2.7, from the authorization date. For the years ended December 31, 2014 and 2013, the amount of $32 was recorded in the consolidated income statement, each year.

At December 31, 2014, the Bank has no additional guarantees recognized and authorized by the Banking Commission.

The movement in the allowance for loan losses for the years ended December 31, 2014 and 2013 is summarized below:

		2014	**2013**
Balance at beginning of year	$	4,954	3,405
Provisions charged to results of operations		3,491	2,939
Provisions charged to prior years’ results for the application of new accounting criteria		–	278
Applications, waivers and others		(2,270)	(1,608)
Foreclosure		(78)	(64)
Exchange rate fluctuations		51	4
Balance at end of year	$	6,148	4,954

(Continued)

(Millions of Mexican pesos, except otherwise indicated)

At December 31, 2014 and 2013, the total credit rated portfolio and total credit risk, including that recognized in memorandum accounts amounts $186,747 y $162,764, respectively.

(g) Natural disasters support programs-

Through the Notification P-110/2014 and P-118/2014 issued on September 19 and October 8, 2014, respectively, the Banking Commission, in order to support the customers who were affected by the floods and damages caused by the hydrometeorological phenomenon called "Odile" that took place in the Federal states of Baja California Sur, Sonora and Sinaloa, authorized the special accounting criteria that the credit institutions may apply to credit customers wich have their address in the towns of Mexico declared emergency or natural disaster by the Government Ministry, through publication in the Official Gazette during the month of September, as well as those loans whose payment source is located in these zones and they were classified for as current on the date of loss established in the declarations and under the corresponding terms.

According of the aforementioned, the Bank implemented the following support for clients of mortgages, cars, credit cards and personal loans located in areas declared a disaster area:

- Defferral of up to three monthly payments of principal and interest.
- Canceling collection fees and taxes that could be generated by these concepts.
- The Credit Bureau will not be affected.

The Bank supported the clients who asked for the support, the supports provided by the Bank, are summarized below (in pesos):

	Number of cases	Deferred amount	Balance forgiven
Car	98	$ 914,654	$ 22,901
Mortgages	61	1,815,743	13,093
Personal	104	996,395	17,165
Credit card	24	-	8,400
Total		$ 3,726,792	$ 61,559

(Continued)

Therefore, the impact of non-recognition in the nonperforming loans to customers who requested deferral three months was $21 and potentially up to $96, if the support had not been applied. Likewise, with regard to the impact on income from loan loss provision for the implementation of these measures mitigated the creation of allowance for loan losses for $4, approximately.

(10) Benefits to receive from securitizations-

On March 13, 2008, the Bank realized a securitization of a mortgage portfolio, through of a trust that issued debt securities for $2,500 with maturity in 20 years and an annual interest rate of 9.15%. At December 31, 2014 and 2013, the amount of the portfolio assigned receivable amounted to $789 and $1,027, respectively, and the amount payable on the debt securities amounted to $626 and $835, respectively.

As part of the agreed transaction of the securitization, the Bank received a trust certificate, which is reported under the caption “Benefits receivable on securitization transactions” on the consolidated balance sheet, and is recorded at fair value, which was determined based on the expectations for recovery of the trust assets and the remaining cash flows once all obligations to bondholders are met. The fair value of benefits receivable on securitization transactions at December 31, 2014 and 2013 were $108 and $142 respectively, the valuation effect was recognized in "Other operating income" in the consolidated statement of income.

For the years ended December 31, 2014 and 2013, the assigned portfolio received prepayments of $89 and $133, respectively.

The Bank receives servicing fees from the trust, which are recognized in earnings when the services are provided, for the years ended December 31, 2014 and 2013, was $8 and $10, respectively.

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(11) Foreclosed assets-

At December 31, 2014 and 2013, foreclosed assets are comprised as follows:

		2014	2013
Premises	$	103	59
Furniture, values and foreclosed rights		11	10
		114	69
Allowance for impairment		(23)	(18)
	$	91	51

The movement of the allowance for impairment for the years ended December 31, 2014 and 2013 is analyzed as follows:

		2014	2013
Balance at beginning of year	$	(18)	(15)
Additional provisions due to aging, charged to operations for the year		(10)	(5)
Credit to income on sale of assets		5	2
Balance at end of year	$	(23)	(18)

(12) Premises, furniture and equipment-

Premises, furniture and equipment and leasehold improvements at December 31, 2014 and 2013 are analyzed in the next page.

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(Millions of Mexican pesos)

		2014	2013	Annual depreciation and amortization rate
Land	$	521	523	–
Office premises		1,249	1,249	Various
Transportation equipment		17	28	25% y 33%
Transportation equipment in capital lease		31	18	33%
Computer equipment		765	724	Various
Computer equipment in capital lease		82	82	20%
Office furniture and equipment		1,332	1,292	10%
Telecommunications equipment		394	348	10%
Artworks		2	2	N/A
Leasehold improvements		2,316	2,353	Various
		6,709	6,619	
Accumulated depreciation		(3,246)	(2,967)	
	$	3,463	3,652	

Depreciation charged to results of operations for the years ended December 31, 2014 and 2013 amounted to $440 and $381, respectively.

For the years ended December 31, 2014 and 2013, the amount charged to income from impairment of leasehold improvements amounted to $14 and $36, respectively, mainly due to close of 8 and 14 branches, respectively. The effect of reverse of the impairment in a premise recorded in the consolidated income statement for the year ended December 31, 2014, amounted to $15.

According to assessment carried out by the Bank, the residual value (except land) of office premises at December 31, 2014 and 2013, is minimum.

(13) Permanent investments-

At December 31, 2014 and 2013, the Bank´s permanent investments in equity, classified by activity, are analyzed as follows:

		2014	2013
Banking related services	$	45	45
Mutual funds		24	25
Derivatives market operators		6	6
Security and protection		1	1
	$	76	77

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(14) Deposit funding-

At December 31, 2014 and 2013, the deposit funding caption, is analyzed as follows:

		2014			2013		
		Currency			Currency		
		Domestic	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Demand deposits:							
Bearing interest	$	42,805	137	42,942	38,510	148	38,658
Non-bearing interest		42,841	13,293	56,134	41,255	8,334	49,589
		85,646	13,430	99,076	79,765	8,482	88,247
Time deposits:							
General public		54,618	5,365	59,983	49,538	4,495	54,033
Money market:							
Certificates of deposit (CD's)		1,551	–	1,551	1,784	–	1,784
Promissory notes		5,059	–	5,059	3,069	–	3,069
		6,610	–	6,610	4,853	–	4,853
Debt securities issued:							
Bank bonds		1,556	–	1,556	976	–	976
Banking stock certificates		10,886	–	10,886	10,874	–	10,874
		12,442	–	12,442	11,850	-	11,850
Total deposit funding	$	159,316	18,795	178,111	146,006	12,977	158,983

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The unaudited average weighted interest rates on deposit balances during the years ended December 31, 2014 and 2013, are as follows:

	2014		2013	
	Pesos	**Dollars**	**Pesos**	**Dollars**
Demand deposits	1.05%	0.03%	1.06%	0.04%
Time deposits:				
General public	2.96%	0.11%	3.56%	0.16%
Money market	2.55%	–	4.03%	–

At December 31, 2014 and 2013, money market time deposits and debt securities issued among the public investors, are as follows:

(a) Money market time deposits-

At December 31, 2014 and 2013, the Bank issued CD's with par value of one hundred pesos for an amount of $1,551 and $1,784, respectively, as shown bellows:

2014 CD's-

Payment of interests	Annual rate	Term in days		Amount
28 days	TIIE 28 - 0.08%	196	$	750
Accrued interest				1
				751

2014 Structured CD´s-

Underlying				
TIIE 28		364		800
			$	1,551

(Continued)

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2013 CD's-

Payment of interests	Annual rate	Term in days		Amount
28 days	4.71%	337	$	750
28 days	TIIE 28 + 0.02%	336		700
				1,450
Accrued interest				3
				1,453

2013 Structured CD´s-

Underlying		Term in days		Amount
TIIE 28		272		200
TIIE 28		363		131
				331
			$	1,784

Promissory notes

At December 31, 2014 and 2013, the Bank issued promissory notes with par value of one hundred pesos as follows:

Issuance date	Number of securities	Term in days	Annual rate		Amount
2014					
December 2014	756,000,001	89	3.20%	$	750
December 2014	755,906,205	89	3.15%		750
October 2014	507,874,997	180	3.15%		500
October 2014	1,007,724,998	90	3.09%		1,000
October 2014	1,007,937,222	91	3.15%		1,000
October 2014	20,162,028	95	3.08%		20
July 2014	511,925,001	270	3.18%		500
January 2014	518,050,001	360	3.61%		500
					5,020
Accrued interest					39
				$	5,059

(Continued)

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Issuance date	Number of securities	Term in days	Annual rate		Amount
2013					
October 2013	20,191,605	91	3.79%	$	20
June 2013	261,136,527	362	4.44%		250
June 2013	522,373,611	362	4.45%		500
May 2013	781,875,000	360	4.25%		750
May 2013	62,668,050	363	4.41%		60
March 2013	1,462,505,327	362	4.47%		1,400
					2,980
Accrued interest					89
				$	3,069

(b) Debt securities issued

At December 31, 2014 and 2013, the Bank issued banking stock certificates with par value of one hundred pesos, under the program authorized by the Baking Commission for up to $15,000, as shown below:

2014 – Banking stock certificates

Issuance date	Number of securities	Term in years	Payment of interest in days	Issuance proportion	Interest rate		Amount
June 2013	11,500,000	10	182	8%	7.30%	$	1,150
March 2013	34,500,000	5	28	8%	TIIE 28 days + 0.40%		3,450
November 2012	20,000,000	3	28	13%	TIIE 28 days + 0.25%		2,000
November 2010	8,300,000	5	28	21%	TIIE 28 days + 0.40%		830
October 2010	3,580,000	7	28	2%	TIIE 28 days + 0.49%		358
October 2010	23,120,000	5	28	21%	TIIE 28 days + 0.40%		2,312
November 2005	4,000,000	10	28	4%	9.89%		400
December 2005	3,000,000	13	28	3%	9.75%		300
							10,800
Accrued interest							86
						$	10,886

2014 – Structured notes carried forward.

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2014 – Banking bonds

Issuance date	Nunmber of securities	Term in days	Underlying	Amount
2014 – Banking stock certificates brought forward				$ 10,886
October 2014	100,000	728	TIIE 28	10
October 2014	256,000	1,095	IPC	25
October 2014	649,000	1,096	IPC	65
June 2014	396,900	207	IPC	40
April 2014	983,500	1,096	IPC	98
April 2014	473,500	1,096	IPC	47
March 2014	2,136,100	549	USDMXN	214
March 2014	1,958,300	1,085	SX5E	196
March 2014	429,200	1,092	SX5E	43
December 2013	457,700	1,079	SPTSX60	46
November 2013	1,156,650	1,078	IBEX35	116
November 2013	205,000	1,078	SPTSX60	20
November 2013	1,586,650	1,078	SPTSX60	159
November 2013	603,250	1,078	SPX	60
October 2013	1,749,600	1,079	SX5E	175
August 2013	2,419,200	1,097	SX5E	242
				1,556
			Total	$ 12,442

2013 – Banking stock certificates

Issuance date	Number of securities	Term in years	Payment of interest in days	Issuance proportion	Interest rate	Amount
June 2013	11,500,000	10	182	8%	7.30%	$ 1,150
March 2013	34,500,000	5	28	8%	TIIE 28 days + 0.40%	3,450
November 2012	20,000,000	3	28	13%	TIIE 28 days + 0.25%	2,000
November 2010	8,300,000	5	28	21%	TIIE 28 days + 0.40%	830
October 2010	3,580,000	7	28	2%	TIIE 28 days + 0.49%	358
October 2010	23,120,000	5	28	21%	TIIE 28 days + 0.40%	2,312
November 2005	4,000,000	10	28	4%	9.89%	400
December 2005	3,000,000	13	28	3%	9.75%	300
						10,800
Accrued interest						74
						10,874

2013 – Bnking bonds

Issuance date	Number of securities	Term in days	Underlying	
July 2013	853,000	272	TIIE 28 days	85
July 2013	732,800	272	TIIE 28 days	73
August 2013	2,419,200	1,097	SX5E	242
October 2013	1,749,600	1,079	SX5E	175
November 2013	1,156,650	1,078	IBEX35	116
November 2013	205,000	1,078	SPTSX60	20
November 2013	1,586,650	1,078	SPTSX60	159
November 2013	603,250	1,078	SPX	60
December 2013	457,700	1,079	SPTSX60	46
				976
			Total	$ 11,850

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The interest rate of structured notes is variable and the guarantee unsecured

On September 2013, through a press release of the Fondo Unido initiative, the Bank took part in the fundraising due to the tropical storms called "Ingrid" and "Manuel". The fundraisings received for this contingency amounted $1 during the period from September 19, to November 1, 2013. The recipient of the fundraising was the Natural Disasters Attention Program, United by a million and two hundred victim people, which is called Fondo Unido I. A. P.

During 2014, the Bank supported four limited liability partnerships for an amount of $1 ($4 in 2013).

(15) Bank and other borrowings-

At December 31, 2014 and 2013, bank and other borrowings are compromised as follows:

		2014	2013
Due on demand	$	236	1,475
Short-term:			
Domestic currency:			
Development banks [1]		1,898	1,597
Development agencies [1]		1,384	1,841
Other organizations		2,000	–
Accrued interest		21	12
		5,303	3,450
Denominated in dollars, translated into pesos:			
Commercial banking		–	5,291
Multiple banking		1,328	–
Development agencies [1]		247	21
Other organizations		1	–
Development banks [1]		14	14
		1,590	5,326
Total short term carried forward	$	6,893	8,776

[1] Resources from development funds (See note 9e)

(Continued)

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		2014	2013
Total short term, brought forward	$	6,893	8,776
Long-term:			
Domestic currency:			
Development agencies [1]		1,304	1,328
Denominated in dollars, translated into pesos:			
Development agencies [1]		17	26
Multiple banking		–	524
		17	550
Total long-term		1,321	1,878
Total bank and other borrowings	$	8,450	12,129

(1) Resources from development funds (see note 9e).

At December 31, 2014 and 2013, long-term bank and other borrowings maturity dates are as follows:

Maturity		2014	2013
2015	$	–	604
2016		142	199
2017		284	417
2018		466	545
2019		271	85
Over 5 years		158	28
	$	1,321	1,878

At December 31, 2014 and 2013, the Bank has no guarantees granted for bank and other borrowings.

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Due to the operating characteristics of the interbank loans that the Bank maintains, such as access to funds via auctions, loans regulated by the Central Bank with no pre-established limit, loans subject to availability of funds of the lenders' budget with no limit to the Bank, loans whose limit is agreed to daily by the lender. At December 31, 2014 and 2013, the Bank has no significant interbank lines of credit with authorized amounts that have not been drawn down.

For the years 2014 and 2013, bank and other loans weighted average annual interest rates are as follows:

	2014 annual rates		**2013 annual rates**	
	Pesos	**Foreign currency**	**Pesos**	**Foreign currency**
Domestic banks	2.89%	0.78%	3.27%	0.67%
Development banks	4.48%	1.67%	4.43%	1.86%
Development agencies	3.59%	1.24%	3.52%	1.28%

(16) Employees' benefits-

The Bank has in place a defined contribution plan for pensions and post-retirement benefits that covers all employees joining the Bank beginning on April 1, 2006. The plan is optional for those employees who joined the Bank at an earlier date. The plan provides for established contributions by both the Bank and employees, which may be fully withdrawn by employees when aged 55.

For the years ended December 31, 2014 and 2013, the charge to results for the Bank's contributions to the defined contribution pension plan amounted to $49 and $56, respectively. under the caption "Administrative and promotional expenses" in the consolidated statement income.

The Bank has also a defined benefit pension plan to which employees make no contributions. All employees are entitled to this plan when aged 60 years, with 5 years of service, or 55 years of age, with 35 years of service, as provided for by the collective bargaining agreement.

The costs, obligations and assets of the defined pension, seniority premium, post-retirement medical service, life insurance, food coupons for retirees benefit plans were determined based on computations prepared by independent actuaries as of December 31, 2014 and 2013.

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The components of the net periodic cost (income) for the years ended December 31, 2014 and 2013 are as follows:

		Pensions			Seniority premium			Medical expenses, food coupons. life insurance
		Retirement	Disability	Total	Retirement	Termination	Total	for retirees
2014								
Service cost	$	23	2	25	4	5	9	90
Financial cost		205	4	209	6	4	10	286
Expected return on plan assets		(144)	(5)	(149)	(5)	(5)	(10)	(234)
Amortization of prior service:								
Plan modifications		(13)	–	(13)	–	–	–	(14)
Net sctuarial loss		45	–	45	1	–	1	60
Net periodic cost		116	1	117	6	4	10	188
(Income) cost from recognition of actuarial (gains) losses generated in the year		–	(7)	(7)	–	2	2	–
Total cost (income)	$	116	(6)	110	6	6	12	188
2013								
Service cost	$	35	2	37	4	5	9	89
Financial cost		178	3	181	5	4	9	237
Expected return on plan assets		(149)	(4)	(153)	(5)	(6)	(11)	(223)
Amortization of prior service:								
Plan modifications		4	–	4	–	–	–	(14)
Net actuarial loss		20	–	20	1	–	1	50
Net periodic cost		88	1	89	5	3	8	139
(Income) cost from recognition of actuarial (gains) losses generated in the year		–	(5)	(5)	–	1	1	–
Total cost (income)	$	88	(4)	84	5	4	9	139

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Below is a reconciliation of the opening and final balances, and detail on the present value of the pension, seniority premium, medical expenses, food coupons and life insurance benefit obligations as of December 31, 2014:

		Pensions			Seniority premium			Medical expenses, food coupons life insurance
		Retirement	Disability	Total	Retirement	Termination	Total	for retirees
Defined benefit obligations (DBO) as of December 31, 2013	$	(2,438)	(43)	(2,481)	(78)	(53)	(131)	(3,319)
Current service cost		(23)	(2)	(25)	(4)	(5)	(9)	(90)
Financial cost		(205)	(4)	(209)	(6)	(4)	(10)	(286)
Paid benefits		174	1	175	7	6	13	114
Actuarial (loss) gain		(99)	5	(94)	(6)	1	(5)	(280)
DBO as of December 31, 2014		(2,591)	(43)	(2,634)	(87)	(55)	(142)	(3,861)
Plan assets at fair value		1,895	65	1,960	59	70	129	3,167
Financial situation of the fund		(696)	22	(674)	(28)	15	(13)	(694)
Past service for:								
Plan improvements		(95)	–	(95)	–	–	–	(164)
Cumulative actuarial losses		826	–	826	26	–	26	1,354
Net projected asset (liability) as of December 31, 2014	$	35	22	57	(2)	15	13	496

A reconciliation of the net projected asset (liability) as of December 31, 2014 and 2013 is analyzed as follows:

		Pensions			Seniority premium			Medical, expenses food coupons, life insurance,
		Retirement	Disability	Total	Retirement	Termination	Total	for retirees
Net projected asset (liability), as of December 31, 2013	$	187	16	203	4	21	25	684
Net periodic cost		(116)	(1)	(117)	(6)	(4)	(10)	(188)
Fund withdrawals during 2014		(36)	−	(36)	−	−	−	−
Income (cost) for recognition of actuarial gains and (losses)		–	7	7	–	(2)	(2)	–
Net projected asset (liability) as of December 31, 2014	$	35	22	57	(2)	15	13	496

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Below is a reconciliation of the opening and final balances, and detail on the present value of the pension, seniority premium, medical expenses, food coupons and life insurance benefit obligations as of December 31, 2013:

		Pensions			Seniority premium			Medical expenses, food coupons life insurance for retirees
		Retirement	**Disability**	**Total**	**Retirement**	**Termination**	**Total**	
Defined benefit obligations (DBO) as of December 31, 2012	$	(2,311)	(46)	(2,357)	(74)	(52)	(126)	(3,050)
Plan improvements		140	–	140	–	–	–	–
Current service cost		(35)	(2)	(37)	(4)	(5)	(9)	(89)
Financial cost		(178)	(4)	(182)	(5)	(4)	(9)	(237)
Paid benefits		189	1	190	5	5	10	106
Actuarial (loss) gain		(243)	8	(235)	–	3	3	(49)
DBO as of December 31, 2013		(2,438)	(43)	(2,481)	(78)	(53)	(131)	(3,319)
Plan assets at fair value		1,889	59	1,948	63	74	137	2,974
Financial situation of the fund		(549)	16	(533)	(15)	21	6	(345)
Past service for:								
Plan improvements		(108)	–	(108)	–	–	–	(178)
Cumulative actuarial losses		844	–	844	19	–	19	1,207
Net projected asset as of December 31, 2013	$	187	16	203	4	21	25	684

A reconciliation of the net projected asset as of December 31, 2013 and 2012 is analyzed as follows:

		Pensions			Seniority premium			Medical, expenses food coupons, life insurance, for retirees
		Retirement	**Disability**	**Total**	**Retirement**	**Termination**	**Total**	
Net projected asset, as of December 31, 2012	$	137	9	146	4	22	26	606
Net periodic cost		(88)	(1)	(89)	(5)	(3)	(8)	(139)
Contributions to fund during 2013		138	3	141	5	3	8	217
Income (cost) for recognition of actuarial gains and (losses)		–	5	5	–	(1)	(1)	–
Net projected asset as of December 31, 2013	$	187	16	203	4	21	25	684

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Detail of acquired benefit obligations (ABO) as of December 31, 2014 and 2013 is as follows:

		Pensions			Seniority premium			Medical, expenses food coupons, life insurance, for retirees
		Retirement	Disability	Total	Retirement	Termination	Total	
2014								
ABO	$	(2,007)	–	(2,007)	(14)	(48)	(62)	(1,693)
2013								
ABO	$	(1,911)	–	(1,911)	(11)	(46)	(57)	(1,436)

Below is an analysis of movements of the plan assets required for covering the employee benefit obligations for the years ended December 31, 2014 and 2013:

		2014	2013
Fair value of the assets at beginning of year	$	5,059	4,901
Fund withdrawals		(36)	–
Plan contributions during the year		–	367
Return on plan assets		535	97
Payments from the fund during the year		(301)	(306)
Fair value of the assets at end of year	$	5,257	5,059

During the year 2014, the Bank transferred funds from the defined benefit plan to the defined contribution plan to cover contributions of the year.

During the years ended 2014 and 2013, the expected return on the plan assets is $392 and $387, respectively.

During the year 2015, it is not expected to have contributions to the fund. Also during 2015, the amount of $39 wil be withdraw from the fund.

In the next page is shown a reconciliation of opening and final balances, and detail on the present value of statutory severance compensation obligations as of December 31, 2014 and 2013.

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		2014	2013
Acquired benefit obligations (ABO)	$	(267)	(262)
DBO at beginning of year	$	(262)	(259)
Current service cost		(18)	(17)
Financial cost		(21)	(19)
Benefits paid		89	84
Actuarial loss		(55)	(51)
DBO at December 31	$	(267)	(262)

The net cost of statutory severance compensation for the years ended December 31, 2014 and 2013, amounted to $93 and $87, respectively.

The annual nominal rates as of December 31, 2014 and 2013 used in actuarial projections are as follows:

	2014	2013
Return on plan assets	8.00%	7.75%
Discount	8.25%	8.75%
Compensation increase	5.00%	5.00%
Increase in medical expenses	6.50%	6.50%
Estimated inflation	4.00%	4.00%

The expected return rate on the plan assets was determined using the expected long-term performance on assets of the portfolio of Banks' funds.

The plan assets covering the pension, seniority premium, medical expense, food coupons, and life insurance for retirees benefit plans consist of 60% debt instruments and 40% equity instruments subject to a trust and managed by a Bank-designated Committee.

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The effect from an increase or decrease by a percentage point in the rate of increase in medical expenses used for the actuarial projections at December,31, 2014, is shown below:

	Annual rate	**DBO medical expenses for retirees**
Without modification	6.50%	$ 3,225
1% increase in medical inflation rate	7.50%	$ 3,971
1% decrease in medical inflation rate	5.50%	$ 2,647

A summary of the amount of employee benefits related to DBO, plan assets and financial situation of the fund and experience adjustments, for the years ended December 31, 2012, 2011 and 2010 follows:

		Pensions		
		2012	**2011**	**2010**
DBO	$	(2,357)	(2,036)	(2,049)
Plan assets		1,962	1,781	1,827
Financial situation of the fund	$	(395)	(255)	(222)
Variances in assumptions and experience adjustments	$	506	318	(76)

		Seniority premiums		
		2012	**2011**	**2010**
DBO	$	(126)	(111)	(101)
Plan assets		136	123	125
Financial situation of the fund	$	10	12	24
Variances in assumptions and experience adjustments	$	16	11	7

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		Medical expenses, food coupons and life insurance		
		2012	**2011**	**2010**
DBO	$	(3,050)	(2,621)	(2,516)
Plan assets		2,803	2,480	2,346
Financial situation of the fund	$	(247)	(141)	(170)
Variances in assumptions and experience adjustments	$	1,045	732	(364)

		Statutory severance compensation		
		2012	**2011**	**2010**
DBO	$	(259)	(243)	(235)
DBO (losses) earnings	$	(86)	(48)	37

As of December 31, 2014, the amortization periods in years for unrecognized items related to defined pension, seniority premium, post-retirement medical service, life insurance, food coupons for retirees and statutory severance compensation benefits are follows.

	Pensions		**Seniority premium**		**food coupons, life insurance, for retirees**	**Medical expenses, Statutory severance compensation**
	Retirement	**Disability**	**Retirement**	**Termination**		
Prior service –plan improvements	7.28	-	8.22	-	12.73	-
Net actuarial loss	12.62	1	13.96	1	15.00	1

(17) Income taxes and employee statutory profit sharing (ESPS)-

On December 11, 2013, a decree was published in the Official Gazette whereby several tax provisions were amended, supplemented and repealed, this decree became effective as of January 1, 2014. In such decree the business flat tax law (Ley del Impuesto Empresarial a Tasa Única or IETU) and the income tax law (Ley de Impuesto Sobre la Renta or IT Law) in effect as of December 31, 2013, were repealed and a new IT Law was enacted.

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In accordance with the current tax legislation until December 31, 2013, companies must pay the tax greater between IT and IETU. If IETU was determined payable, the payment is considered final and not subject to recovery in subsequent years.

The new IT law, establish a 30% rate for 2014 and subsequent years. According to the IT and IETU laws, in effect as of December 31, 2013, the IT and IETU rates in 2013 were of 30% and 17.5%, respectively.

The current ESPS rate is 10%, for the years 2014 and 2013.

The IT law applicable in 2013 established in its transitory sections that the current IT rate would be 29% in 2014 and 28% starting 2015. The deferred taxes that were calculated using a rate of 28% until December 31, 2012, were modified using a rate of 30% at the end of year 2013, derived from the change in the IT rate according with the tax reform. The main item in the calculation of deferred taxs is related to the surplus of the provision for the global loss reserve to be applied, which is partially reserved in both years.

On May 19, 2004, the Bank obtained a favorable resolution from the Federal Judiciary relating to articles 16 and last paragraph of 17, of the Income Tax Law in force in 2002. Accordingly, the Bank is thus authorized to equally apply the amount of the tax base used for ESPS determination and that used for IT purposes, for the year 2013 and prior. Derived from the 2014 Tax Reform applicable from the year 2014, the basis for ESPS and IT calculation is homogeneous, with some differences regarding the reduction of tax loss carryforwards, paid ESPS and expenses that correspond to non-taxable income for employees.

Although the Bank does not exercise the option under the tax consolidation with its subsidiaries, following is presented for illustrative purposes the IT expense and the current ESPS, as well as the deferred tax assets, which as of December 31, 2014 and 2013 is composed as follows:

		2014		2013	
		IT	**ESPS**	**IETU/IT**	**ESPS**
Current IT:					
Bank	$	777	256	675	225
Reversed provisions from 2013 and 2012, respectively		(9)	(3)	(7)	(2)
Inmobiliaria		26	–	32	–
Derivative market entities		2	–	1	–
Current IETU:					
Service entities		–	–	1	–
Current IETU/IT and ESPS		796	253	702	223
Deferred		(843)	(272)	(565)	(154)
	$	(47)	(19)	137	69

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Deferred IT and ESPS:

The deferred tax asset at December 31, 2014 and 2013 comprises the following:

		2014		2013	
		IT	ESPS	IT	ESPS
Valuation of financial instruments:					
Trading	$	83	27	41	14
Available-for-sale		−	−	3	1
Cash flow hedge swaps		89	30	(17)	(6)
Expense accruals and others		322	81	358	97
Premises, furniture and equipment		(29)	62	(39)	63
Unearned fees collected		417	139	380	127
Pension plan		(172)	(57)	(275)	(92)
Foreclosed assets		311	104	306	102
Allowance in excess [(1)]		1,339	446	657	219
		2,360	832	1,414	525
		$ 3,192		1,939	

[(1)] Net of valuation allowance (Includes effect of exchange rate from 28% to 30% for $19 in 2013)

Deferred IT and ESPS credits (debits) to income statement and stockholders' equity, for the years ended December 31, 2014 and 2013 are presented below:

		2014		2013	
		IT	ESPS	IT	ESPS
Valuation of financial instruments:					
Trading	$	42	13	(29)	(9)
Available-for-sale		(3)	(1)	96	32
Cash flow hedge swaps		106	36	(124)	(42)
Expense accruals and others		(36)	(16)	35	(9)
Premises, furniture and equipment		10	(1)	43	7
Unearned fees collected		37	12	78	26
Pension plan		103	35	(42)	(14)
Foreclosed assets		5	2	82	27
Allowance in excess		682	227	398	126
		946	307	537	144
		$ 1,253		681	

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	2014		2013	
	IT	**ESPS**	**IT**	**ESPS**
Deferred tax:				
In statement of income	$ 843	272	565	154
In stockholders' equity:				
Valuation in available-for-sale securities	(3)	(1)	96	32
Valuation of cash flow hedge swaps	106	36	(124)	(42)
	946	307	537	144
	$ 1,253		681	

The following is an analysis of the effective tax rate of the Bank without subsidiaries for the fiscal years ended at December 31, 2014 and 2013:

	IT			ESPS
	Tax Base	**Tax at 30%**	**Effective rate**	**at 10%**
December 31, 2014				
Operating income	$ 3,202	(961)	(30%)	(320)
Allocation to current tax:				
Adjustment for effects of inflation	(854)	256	8%	85
Mark to market of investment securities	439	(132)	(4%)	(44)
Depreciation and amortization	39	(12)	-	(4)
Non-deductibles expenses	499	(150)	(5%)	(29)
Loss on sale of loans	340	(102)	(3%)	(34)
Excess of provision for loan losses	(4,156)	1,247	39%	416
Allowance for loan losses	3,491	(1,047)	(33%)	(349)
Current and deferred ESPS	(20)	6	-	2
Deduction of ESPS	(175)	53	2%	–
Others, net	(214)	65	2%	21
Current tax	2,591	(777)	(24%)	(256)
Allocation to deferred tax: (30% tax and 10% ESPS)				
Mark to market of investment securities	(432)	130	4%	43
Provisions and others	416	(124)	(4%)	(45)
Premises, furniture and equipment	12	(4)	–	(1)
Pension plan	(344)	103	3%	34
Foreclosed assets	(17)	5	–	2
Unearned fees collected	(124)	37	2%	12
Allowance in excess(2)	(2,275)	682	21%	227
Deferred tax	(2,764)	829	26%	272
Income tax	$ (173)	52	2%	16

(2) See the next page

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(2) For ESPS purposes the 47% deductible expense related to non taxable income of the employees is not induded, while for IT purposes, it is included.

	IT			ESPS
	Tax Base	**Tax at 30%**	**Effective rate**	**at 10%**
December 31, 2013				
Operating income	$ 2,910	(873)	(30%)	(291)
Allocation to current tax:				
Adjustment for effects of inflation	(798)	239	8%	80
Mark to market of investment securities	76	(23)	(1%)	(8)
Depreciation and amortization	(30)	9	–	3
Non-deductibles expenses	298	(89)	(3%)	(30)
Deduction for provision for loan losses	(467)	140	5%	47
Current and deferred ESPS	69	(21)	–	(7)
Deduction of ESPS paid	(216)	65	2%	22
Tax recoveries and others, net	408	(122)	(4%)	(41)
Current tax	2,250	(675)	(23%)	(225)
Allocation to deferred tax: (30% tax):				
Mark to market of investment securities	(66)	20	–	7
Provisions and others	34	(10)	–	(3)
Premises, furniture and equipment	(78)	23	1%	8
Pension plan	138	(41)	(1%)	(14)
Foreclosed assets	(270)	81	3%	27
Unearned fees collected	(260)	78	2%	26
Allowance in excess (28%)	(1,262)	397	14%	126
Deferred tax	(1,764)	548	19%	177
Income tax	$ 486	(127)	(4%)	(48)

(3) Includes the effect of the rate change of 28% to 30% for $19

Other considerations:

In accordance with Mexican tax law, the tax authorities may examine transactions carried out during the five years prior to the most recent income tax return filed.

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According to the IT Law, corporations carrying out transactions with related parties, whether domestic or foreign, are subject to a limits and tax obligations, to certain requirements as to the determination of the transaction prices, since these prices must be similar to those that would be used in arm's-length transactions.

(18) Stockholders' equity-

(a) Structure of capital stock-

On September 29, 2014, the Extraordinary General Stockholders´ Meeting agreed to increase the stockholders' equity for $450, through the issuance of 450,000,000 "F" series of common shares with a nominal value of one peso each.

After the stockholder´s equity increase mentioned above, at December 31, 2014, the Stockholders' equity is comprised of 6,650'000,000 common shares, with a par value of one peso per share, divided into two series, 6,649,999,916 "F" Series shares, and 84 "B" Series shares.

(b) Dividends declared-

The dividends paid to individuals and corporations resident abroad shall be subject to an additional tax of 10%, which is considered final and must be withheld by entities that distribute such dividends. The new rule solely applies to dividends payment from earnings generated beginning January 1, 2014.

For the year ended at December 31, 2014, there was no decree nor dividends payment. For the year ended at December 31, 2013, the Bank declared and paid dividends as shown below:

Date of decree	Amount decree	Payment date in 2013	Amount
20-dec-13	$ 4,200	December, 20	$ 4,200
13-nov-13	808	November, 21	808
23-aug-13	259	August, 23 and 30	259
24-may-13	300	May, 31	300
12-apr-13	165	April, 23	165

At December 31, 2014 and 2013, there are not unpaid dividends.

(c) Comprehensive income-

The comprehensive income reported in the consolidated statement of changes in stockholders' equity represents the results of the total performance of the Bank and subsidiaries during the year, and includes the net income, plus the result of the valuation of available-for-sale securities and cash flow hedge transactions.

(d) Restrictions on stockholders' equity-

No individual or entity may acquire direct or indirect control of Series "B" shares in excess of 5% of the Bank's paid-in capital, through one or more simultaneous or successive transactions of any kind. If deemed appropriate, the SHCP may authorize the acquisition of a higher percentage, provided that it does not exceed 20% of the capital stock.

The Credit Institutions Law requires an appropriation of 10% of net income for the year to statutory reserves, until such reserves reach an amount equal to paid-in capital.

The tax basis of stockholder contributions and retained earnings may be distributed to the stockholders tax free. Distributions in excess of the tax bases are subject to income tax. At December 31, 2014 the capital contribution account (Cuenta de capital de aportación or CUCA) and the net taxable income account (Cuenta de utilidad fiscal neta or CUFIN), amount to $10,143 and $886, respectively.

The retained earnings of subsidiaries may not be distributed to the Bank's stockholders until these are received by way of dividends from the subsidiaries.

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(e) Capitalization (unaudited)-

At December 31, 2014 and 2013, the Bank maintained a capitalization index in excess of 10%; accordingly, it is classified as Category I in both years in accordance with article 220 of the Provisions in both years.

The capitalization index is determined by applying certain percentages according to the risk assigned pursuant to the rules established by the Central Bank. Below is the Bank's capitalization information (unaudited information, graded by BANXICO).

Capital as of December 31:

		2014	2013
Basic capital			
Common shares	$	8,374	7,924
Result from previous years		15,002	12,390
Other elements of the comprehensive income (and other provisions)		6,872	6,300
Basic capital 1 before regulatory adjustments		30,248	26,614
National regulatory adjustments:			
Investments in mutual funds		24	24
Defferred debits and prepayments		2,852	2,608
Investments in clearings		558	913
Deferred taxes, favorable items from temporary differences		726	–
Total regulatory adjustments to capital		4,160	3,545
Total Basic Capital		26,088	23,069
Supplementary Capital			
Equity instruments		2,099	–
Provisions		213	421
Net Capital		28,400	23,490
Total risk weighted assets	$	213,287	191,008

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Equity and supplementary ratios

	2014	**2013**
Basic Capital Ratio 1	12.2%	12.1%
Basic Capital Ratio	12.2%	12.1%
Supplementary Capital Ratio	1.1%	0.2%
Net Capital Ratio	13.3%	12.3%
Especific institutional supplement	7.0%	7.0%
Supplement capital conservation	2.5%	2.5%
Tier 1 common equity available to cover supplements	5.2%	5.1%

Limits applicables to the inclusion of reserves in supplementary capital:

	2014	2013
Provisions elegible for inclusion in supplementary capital in respect of exposures subject to the standardized methodology (prior to applying the limit)	$ 213	$ 421
Limits applicables to the inclusion of reserves in supplementary capital under standardized methodology	$ 965	$ 864

Assets at risk as of December 31, 2014:

	Risk weighted assets	**Capital requirement**
Exposed positions to market risk by risk factor:		
Transactions in Mexican pesos at nominal interest rates	$ 18,511	1,481
Transactions with debt securities in pesos with premium and adjustable rates	2,350	188
Transactions in Mexican pesos at real interest rates or denominated in UDIS	467	37
Positions in UDIS or with returns linked to the INPC	1	–
Foreign currency transactions at nominal interest rates	563	45
Foreign currency positions or with exchange rate indexed returns	287	23
Equity positions or with returns indexed to the price of a single share or group of shares	374	30
Total market risk, to the next page	$ 22,553	1,804

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	Risk weighted assets	Capital requirement
Total market risk, from the previous page	$ 22,553	1,804
Weighted assets subject to credit risk by risk group:		
Group II (weighted at 20%)	126	10
Group II (weighted at 50%)	1,041	83
Group III (weighted at 20%)	1,640	131
Group III (weighted at 50%)	1,669	134
Group III (weighted at 100%)	10	1
Group IV (weighted at 20%)	790	63
Group V (weighted at 20%)	330	26
Group V (weighted at 50%)	42	3
Group V (weighted at 150%)	380	30
Group VI (weighted at 50%)	15,531	1,243
Group VI (weighted at 75%)	14,295	1,144
Group VI (weighted at 100%)	38,562	3,085
Group VII-A (weighted at 20%)	1,011	81
Group VII-A (weighted at 23%)	21	2
Group VII-A (weighted at 50%)	1,526	122
Group VII-A (weighted at 100%)	44,704	3,576
Group VIII (weighted at 125%)	3,805	304
Group IX (weighted at 100%)	34,023	2,722
Group IX (weighted at 125%)	7,777	622
Total credit risk	167,283	13,382
Weighted assets subject to operational risk	23,551	1,884
Total market, credit and operational risk	$ 213,387	17,070
Average requirement for market risk and credit of the past 36 months		$ 12,560
Average annual positive net income for the past 36 months		$ 14,339

As of December 31, 2014, the net capital structure of the Bank of $28,400 had an increase of 20.9% compared to $23,490 of the year 2013, due to a capital increase of $450, subordinated debt issued for $2,099 and net income for $3,397.

(Continued)

Capital adequacy is monitored through capitalization index projections which consider the various established operating limits vis-à-vis the net capital, with a view to avoiding any possible capital shortfalls and taking any necessary measures to ensure that the capital is maintained at an adequate and sound level.

At December 31, 2014, the Bank raised the ratings of the following rating agencies:

National scale (Caval)	**Lang term**	**Short term**	**Perspective**
Fitch Ratings	AAA(mex)	F1+(mex)	Stable
Moody’s	Aaa.mx	MX-1	Stable
Standard & Poor´s	mxAAA	mxA-1+	Stable

(f) Capital management-

To evaluate the capital adequacy, the Bank has a Exposition Plan wich is a prospective tool to identify risks and to make decisions, which assesses to the Bank under key metrics and indicators, such as: Capital, Liquidity, Profitability and Credit Losses.

The Exposition Plan has been structured based on the plans of the diverse business lines, with the goal to ensure that the risks which the Banks is subject are aligned with the risk framework that is approved by the management.

At the same time, to ensure the compliance and the continuous monitoring of the capital sufficiency, has launched an Action Plan for the Conservation of Capital and Liquidity, which which aims to implement early warning indicators, that are the base for the Liquidity and Capital Management Committee, carry out assessments and monitoring in accordance with the capital management policies and in the contingency liquidity plan, as the impact and magnitude of the stress event.

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On a quarterly basis, the capitalization notes are incorporated in the financial reports. Such notes have, among others, the following information: composition and integration of capital, composition of total risk weighted assets and by type of risk and estimates of Capital Index.

Likewise annual stress tests as established by the Banking Commision under various scenarios are performed, in order to ensure that the Bank has the sufficient capital to continue receiving funding and granting loans with these stress scenarios and business strategies. Additionally, an analysis of internal stress scenarios that integrate various adverse macreoeconomic conditions is performed, in order to disclose exposure associated with business plans.

Based on the aforementioned, it is determined that the Bank has the capability to face stress scenarios which might impair its situation, as well as to raise sufficient capital to absorb potential losses in such scenarios.

(19) Related-party transactions-

During the normal course of business, the Bank carries out transactions with related parties such as loans, investments, deposit funding, services, etc. Transactions and balances incurred by consolidated companies were eliminated and persistence of those who do not consolidate. According to the Bank's policies, the Board of Directors authorizes all credit transactions with related parties, which are granted at market rates with guarantees and terms in accordance with sound banking practices.

The main transactions carried out with related parties for the years ended December 31, 2014 and 2013, are analyzed as follows:

		2014	2013
Income:			
Interest received	$	964	509
Rents and maintenance		5	3
Commissions		84	12
Financial advisory		40	33
Co-distribution and administration services		382	368
Gain on purchase and sale of financial instruments		149	–
Result of valuation of financial instruments		481	55

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Expenses:	**2014**	**2013**
Gain on purchase and sale of financial instruments	$ –	68
Result of valuation of financial instruments	65	–
Interest paid	144	11
Commissions	10	10
Interest and premiums on repurchase agreement	854	821
Financial advice	526	522
Rents	8	8
Fee	81	118
Others	–	12

Balances receivable from and payable to related parties as of December 31, 2014 and 2013 are as follows:

Holding company	**2014**	**2013**
Payable:		
Demand deposits	$ 2	10
Other related parties		
Receivable:		
Cash and cash equivalents	$ 1,214	299
Debtor on repurchase/resell agreements	6,133	8,836
Derivatives	24,510	23,753
Commercial loans	10,370	7,932
Co-distribution	29	30
Other accounts receivable	717	41
Payable:		
Demand deposits	$ 1,765	4,420
Creditors on repurchase/resell agreements	26,603	30,188
Derivatives	21,961	19,476
Other accounts payables	1,826	483
Collateral sold or pleged	631	–

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For the years ended December 31, 2014 and 2013 there were no changes in the existing conditions of balances receivable from and payable to related parties, there were no items that are deemed irrecoverable or difficult collection and no reserve was required for non-collectability, except loans granted by the Bank where reserves are created according to the methodology of the Banking Commission.

In accordance with Article 73bis of the Credit Institutions Law, the total amount of transactions with related parties is not to exceed 50% of the basic portion of the net capital (see note 18). The balances transactions with related parties as of December 31, 2014 and 2013 amount to $7,458 and $6,692, respectively. The deposits made by related parties as of December 31, 2014 and 2013 amount to $240 and $233, respectively.

For the years ended December 31, 2014 and 2013, the benefits granted to senior management amounted to $166 and $105, respectively.

(20) Memorandum accounts-

(a) Credit commitments-

Credit facilities:

As of December 31, 2014 and 2013, the balance of authorized credit facilities not withdraw amounted to $347,501 and $350,271, respectively, within that amount of committed facilities non-withdraw credit facilities amounted for $15,313 y $11,749, in the same year.

Letters of credit:

As of December 31, 2014 and 2013, the Bank has issued letters of credit for $8,194 and $6,087, respectively.

As of December 31, 2014 and 2013, the allowance created for credit letters amount to $50 and $43, respectively, and are included in the allowance for loan losses.

(b) Assets in trust or under mandate-

The Bank's trust activity, recorded in memorandum accounts as of December 31, 2014 and 2013, is shown as follows:

		2014	2013
Trust:			
Administrative	$	138,895	127,981
Guarantee		7,901	5,143
Investment		–	1,150
Total trusts carried forward	$	146,796	134,274

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		2014	2013
Total trusts brought forward	$	146,796	134,274
Mandates		28,984	28,897
	$	175,780	163,171

Trust revenue accrued for the years ended December 31, 2014 and 2013 amounted $211 and $216, respectively and were recorded in the caption "Commission and fee income".

(c) Assets in custody or under management-

At December 31, 2014 and 2013, this caption is compromised of property and securities received in custody, guarantee or under management, as follows:

		2014	2013
Securities in custody:			
Securities vault	$	102	137
General vault		101	102
Investment transaction		940	877
Securities transactions		9,524	9,525
Other		50	106
		10,717	10,747
Securities under management		57,963	49,676
Notional amounts of derivatives		88,629	162,017
	$	157,309	222,440

Income arising from securities in custody for the years ended December 31, 2014 and 2013 amounts to $4 and $5, respectively.

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(d) Collaterals received by the entity and collaterals received and sold or pledged by the entity-

Collaterals received and collaterals sold or delivered by the Bank at December 31, 2014 and 2013 are analyzed as following:

		2014	2013
Collaterals received by the entity:			
Repurchase / resell agreements:			
LD BONDES	$	12,662	20,858
BG91		999	–
BPA 182		2,045	5,808
BPAG		–	8,906
M BONOS		2,502	7,441
BI CETES		118	1,360
CBIC		500	498
CBBN		–	205
		18,826	45,076
Guarantees received for derivatives transactions		422	58
Guarantees received for credit operations		26,657	24,546
Total collateral received by the entity	$	45,905	69,680
Collaterals received and sold or pledged by the entity:			
LD BONDESD	$	9,441	18,556
M BONOS		1,000	7,441
BPA 182		2,000	2,757
BI CETES		–	1,300
CBIC		382	498
CBBN		–	205
BPAG		–	8,875
	$	12,823	39,632

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(e) Investments on behalf of customers-

As of December 31, 2014 and 2013 funds managed by the Bank following customer instructions for investment in different instruments of the Mexican financial system are recorded in memorandum accounts and are analyzed as follows:

		2014	**2013**
Private equity	$	690	1,380
Government securities		30,254	39,756
Mutual funds		37,209	34,506
Bank securities not issued by the Bank		5,535	1,311
	$	73,688	76,953

The amount of any funds invested in the Bank's own instruments forms part of the liabilities included in the consolidated balance sheet.

(21) Additional information on operations and segments-

(a) Segment information-

The Bank's operations are classified in the following segments: credit and services (acceptance of deposits, granting of loans, trusts and other income in subsidiaries) and treasury and trading (securities, derivatives and currency transactions). For the years ended December 31, 2014 and 2013, income by segment is analyzed as follows:

December 31, 2014		**Credit and services**	**Trading and treasury**	**Total**
Interest income, net	$	12,528	361	12,889
Commissions and fees, net; result from trading and other operating income (expenses)		5,051	513	5,564
Net operating revenues		17,579	874	18,453
Allowance for loan losses		(3,491)	–	(3,491)
Administrative and promotional expenses		(11,061)	(552)	(11,613)
Income before taxes and result of operations of associated companies	$	3,027	322	3,349
Equity in the results of operations of associated companies				1
Income taxes and deferred income, net				47
Net income				$ 3,397

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December 31, 2013		Credit and services	Trading and treasury	Total
Interest income, net	$	10,989	203	11,192
Commissions and fees, net; result from trading and other operating income (expenses)		5,032	1,106	6,138
Net operating revenues		16,021	1,309	17,330
Allowance for loan losses		(2,939)	–	(2,939)
Administrative and promotional expenses		(10,795)	(558)	(11,353)
Income before current and deferred income taxes	$	2,287	751	3,038
Equity in the results of operations of associated companies				1
Current and deferred income taxes, net				(137)
Net income				$ 2,902

(b) Financial margin-

For the years ended December 31, 2014 and 2013, the financial margin in the consolidated statement of income consists of the following elements:

Interest income:

Interest income for the years ended December 31, 2014 and 2013 is comprised as follows:

December 31, 2014		Credit and services	Trading and treasury	Total
Cash and cash equivalents	$	–	646	646
Margin accounts		–	4	4
Investment securities		–	1,486	1,486
Securities on repurchase/ resell agreements		–	1,382	1,382
Current loan portfolio		15,271	–	15,271
Past due loan portfolio		63	–	63
Loan origination fees		405	–	405
Gain on currency translation		–	94	94
	$	15,739	3,612	$ 19,351

(Continued)

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	Credit and services	Trading and treasury	Total
December 31, 2013			
Cash and cash equivalents	$ –	732	732
Margin accounts	–	3	3
Investment securities	–	1,276	1,276
Securities on repurchase/ resell agreements	–	1,346	1,346
Current loan portfolio	13,654	–	13,654
Past due loan portfolio	26	–	26
Loan origination fees	349		349
Gain on currency translation	–	16	16
	$ 14,029	3,373	17,402

An analysis of the loan portfolio interest and commission income by type of loan is shown below, for the years ended December 31, 2014 and 2013:

	2014		2013	
	Current	Past due	Current	Past due
Commercial	$ 3,163	47	3,068	19
Financial institutions	911	–	399	–
Consumer	5,021	16	4,577	7
Residential mortgages	6,413	–	5,749	–
Government entities	168	–	210	–
	$ 15,676	63	14,003	24
	$ 15,739		14,029	

For the year ended December 31, 2014, commissions that represent a yield adjustment of 0.18%, 0.58% and 0.71% for 2014, as well as 0.20%, 0.49% and 0.17% for 2013, respectively, are recorded within the total interest income from commercial, consumer and residential loans.

For the years ended December 31, 2014 and 2013, total interest income includes interest denominated in foreign currency amounting to 27 million dollars and 29 million dollars, respectively.

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Loan origination fees for the years ended December 31, 2014 and 2013 are comprised as follows:

		2014	2013
Commercial	$	150	127
Consumer		146	127
Residential mortgages		109	95
	$	405	349

Amortization term for the fees are from 12 to 360 months.

Interest expense:

Interest expense for the years ended December 31, 2014 and 2013 is comprised of the following:

		Credit and services	Trading and treasury	Total
2014				
Demand deposits	$	822	–	822
Time deposits		2,163	–	2,163
Debt securities issued		–	551	551
Bank and other borrowings		–	269	269
Subordinated debt issued		–	6	6
Securities on repurchase/resell agreements		–	2,346	2,346
Discounts debt issuance		–	1	1
Output expenses for debt issuance		–	21	21
Loan origination fees and expenses		226	–	226
Loss on currency translation		–	57	57
	$	3,211	3,251	6,462
2013				
Demand deposits	$	655	–	655
Time deposits		2,200	–	2,200
Debt securities issued		–	536	536
Bank and other borrowings		–	213	213
Securities on repurchase/resell agreements		–	2,248	2,248
Residential mortgage loans origination fees and expenses		185	–	185
Loss on currency translation		–	173	173
	$	3,040	3,170	6,210

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(c) Commission and fee income-

For the years ended December 31, 2014 and 2013, the commission and fee income are analyzed as follows:

		2014	2013
Letters of credit with no refinancing	$	54	46
Account handling		362	369
Trust activities		211	216
Fund transfers		76	68
Electronic banking services		257	221
Credit transactions		1,217	1,055
Other fees and commissions collected		813	749
	$	2,990	2,724

(d) Financial intermediation income-

For the years ended December 31, 2014 and 2013, financial intermediation income is analyzed as follows:

		2014	2013
Unrealized vaaluation:			
Investment securities	$	(19)	106
Derivatives:			
Trading		(410)	(108)
Hedging		11	(17)
Securities available for sale in hedge		16	(14)
Foreign currencies and precious metals		(33)	513
		(435)	480
Realized gain or (loss):			
Investment securities		32	533
Derivatives:			
Trading		11	558
Foreign currencies and precious metals		905	(465)
		948	626
	$	513	1,106

(Continued)

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(e) Other operating income (expenses)-

For the years ended December 31, 2014 and 2013, other operating income (expenses) is analyzed as follows:

		2014	2013
Recoveries of loan portfolio	$	658	473
Dividends		42	38
Donations		(16)	(9)
Income on sale of foreclosed assets		257	230
Income from securitization		32	37
Taxation		32	1
Income from the purchase of securities in trust		–	429
Other recoveries		2	2
Income from credit insurance		881	823
Armored transportation fees		36	62
Distribution of shares of mutual funds		356	345
Loans to employees		69	78
Food stamps		238	182
Write-offs and losses		(230)	(176)
Others		185	205
	$	2,542	2,720

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(f) Financial ratios (unaudited)-

The following are the main quarterly financial ratios of the Bank as of and for the years ended December 31, 2014 and 2013:

	2014			
	Fourth	**Third**	**Second**	**First**
Delinquency index	3.1%	3.2%	3.2%	3.0%
Coverage of past due loan portfolio index	110.1%	110.3%	108%	111.7%
Operating efficiency (administrative and promotional expenses / average total assets)	4.2%	4.5%	4.7%	4.5%
ROE (annualized net income for the quarter / average stockholders' equity)	14.8%	6.8%	13.7%	12.7%
ROA (annualized net income for the quarter / average total assets)	1.6%	0.7%	1.5%	1.4%
Net capital / Assets at credit risk	16.98%	15.25%	15.21%	15.74%
Net capital / Assets at credit, market and operational	13.31%	11.83%	11.86%	12.15%
Liquidity (liquid assets / liquid liabilities)	73.8%	71.1%	73.1%	73.1%
Financial margin after allowance for loan losses / Average earning assets	4.6%	3.3%	3.8%	4.0%

	2013			
	Fourth	**Third**	**Second**	**First**
Delinquency index	2.7%	3.1%	2.6%	2.4%
Coverage of past due loan portfolio index	116.6%	103.4%	125.4%	114.9%
Operating efficiency (administrative and promotional expenses / average total assets)	5.0%	5.1%	5.2%	5.1%
ROE (annualized net income for the quarter / average stockholders' equity)	8.9%	13.8%	2.6%	13.3%
ROA (annualized net income for the quarter / average total assets)	1.1%	1.8%	0.4%	1.9%
Net capital / Assets at credit risk	15.71%	20.23%	20.92%	21.86%
Net capital / Assets at credit, market and operational	12.30%	15.57%	16.05%	16.64%
Liquidity (liquid assets / liquid liabilities)	65.1%	80.7%	79.8%	63.1%
Financial margin after allowance for loan losses / Average earning assets	4.0%	5.2%	3.1%	4.2%

(Continued)

(22) Commitments and contingencies-

(a) Leases-

Leases provide for periodic rental adjustments based on changes in various economic factors. Total rental expense for the years ended December 31, 2014 and 2013, amounted to $898 and $873 respectively.

(b) Litigation-

In the normal course of the operations, the Bank has been into some trials, that are not expected to have an important negative effect in the future financial situation and in the results of its operations. In such cases that represent a probable loss, the allowances considered as necessary, have been created.

(23) Risk management (unaudited information)-

The purpose of the comprehensive risk management function is to identify and measure risks, follow up on the impact that these risks may have on the operations and control their effects on income and shareholder value by applying the best mitigating strategies available, and the incorporation of the risk culture in daily transactions.

According to the General Provisions applicable to Credit Institutions in terms of risk management issued by the Banking Commission, the Board of Directors assumes responsibility over the Bank's risk management objectives, guidelines and policies. At least once a year, the Board of Directors should approve the policies and procedures as well as the limit structure for the various types of risk.

Pursuant to the policies in force, the Board of Directors entrusts the implementation of the risk policies and the setting of specific limits by risk factor as well as the implementation of the procedures designed to measure, manage and control risks to the Risk Management Committee and the Comprehensive Risk Management Unit (UAIR).

Furthermore, the Risk Management Committee delegates responsibility to the Asset-Liability Committee for monitoring compliance of policies and procedures concerning market and liquidity risks. In like manner, the UAIR has policies for reporting and correcting deviations from the specified limits, which it should report to the Risk Committee and the Board of Directors.

(Continued)

(a) Market risk-

The purpose of the market risk management function is to identify, measure, monitor, and control risks arising from interest, exchange rate, stock market price and index fluctuations and other risk factors that are present in the money, foreign exchange, capital and derivative instruments markets, in which the Bank maintains positions for its own account.

The Bank's risk positions include fixed and floating rate money market instruments, stock, foreign exchange positions and derivatives such as: interest rate futures, futures, foreign exchange forwards and options, interest rate swaps, interest rate options and foreign currency swaps.

Market risk management in securities trading activities - The Bank's securities trading activities are directed primarily to providing service to its customers. Accordingly, to meet its customers' demand, the Group maintains positions in financial instruments and holds an inventory of financial instruments for trading purposes. Access to market liquidity is available through offers to buy from and sell to other intermediaries. Although these two activities represent transactions the Bank carries out for its own account, they are essential to allow customers access to markets and financial instruments at competitive prices. In addition, the Bank has treasury positions invested in the money market so that surplus cash generates the maximum yields. In general, trading positions are taken in liquid markets which avoids high costs at the time such positions are liquidated. The trading securities portfolio (fixed and variable income and derivative instruments) is marked to market on a daily basis.

Among market risk measuring and monitoring methodologies, the Value at Risk (VaR) is an estimate of the potential loss of value within a specific level of statistical confidence, that might arise from maintaining a specific position during a specific period of time (the holding period) under normal market conditions. The VaR is calculated daily on all of the Bank's risk-exposed financial instruments and portfolios using the "Riskwatch" risk management software.

The VaR is calculated using the historical simulation method, with a 300-working day time span. To conform to the measurement methodologies used by Scotiabank, the Group calculates the VaR considering a 99% confidence level and a 1 day holding period.

The Bank's observed average daily VaR during the fourth quarter of 2014 was $8.34. The average global VaR for one day ($8.34) as a percentage of net capital ($28,400) at the period's end is equal to 0.03%. At the December 31, 2014 close, the global VaR was $6.70.

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During the fourth quarter of 2014 and 2013, the average one-day VaR, broken down by the Bank's risk factors was as follows:

	2014	2013
Risk factor		
Interest rates	8.22	7.70
Foreign exchange rates	1.23	1.07
Capitals	0.17	0.21
Total not diversified	9.62	8.98
Diversification effect	(1.28)	(0.96)
Total	8.34	8.02

The average values of exposure to market risk of the securities trading portfolio in the period of October to December 2014 and 2013 were as follows:

		Position			VaR[1]	
		Average	Maximum	Limit	Average	Limit
December 2014						
Product						
Bank	$	402,244	435,860		8.34	52.5
Domestic currency:						
Money market		24,481	36,311	105,500	6.69	
Interest rate swaps		211,979	247,724	305,000	9.19	
CETES Forwards [2]		6,190	11,652	20,000	0.01	
Rate futures [3]					9.36	
Caps & Floors		8,768	10,832	30,000	0.34	
Interest rate markets and rate derivatives [4]		251,418	306,519	460,500	8.22	52.5
Equity shares		8	15	206	0.17	13.0
IPC futures [5]		–	–	750		
Stock portfolio	$	8	15	206	0.17	13.0

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		Position			VaR[1]	
		Average	**Maximum**	**Limit**	**Average**	**Limit**
December 2013						
Product						
Bank	$	257,669	299,212		8.02	52.5
Domestic currency:						
Money market		17,579	25,173	105,500	7.75	50.0
Interest rate swaps		166,036	193,272	207,000	6.34	
CETES Forwards [2]		4,191	15,000	20,000	0.01	
Rate futures [3]					8.56	
Caps & Floors		3,767	4,377	7,000	0.16	
Interest rate markets and rate derivatives [4]		191,573	237,822	339,000	7.70	50.0
Equity shares		9	19	206	0.21	13.0
IPC futures [5]		–	–	3,500		
Stock portfolio	$	9	19	206	0.21	13.0

1/ The VaR is expressed in millions of pesos.
2/ Special treasury position.
3/ Only the VaR is shown because the position and limit are in number of contracts operated in MexDer and presented in separate tables.
4/ The holding period for currency, capitals and interest rates and for limits is 1 day.
5/ The limit of IPC futures is expressed in number of contracts and are used for warrant hedges.

		Position			VaR[1]	
		Average	**Maximum**	**Limit**	**Average**	**Limit**
December 2014						
Product						
Foreign exchange rate forwards and futures [6] [7] [8]	$	7,356	8,538	18,020	0.95	
Foreign exchange desk [6] [7]		0.4	11	65	0.66	
Currency options [7]		79	82	800	0.32	
Dollar futures						
Currency swaps [7]		625	735	1,500	0.05	
Metals forwards [7]		–	–	50	0.00	
Foreign Exchange desk and currency and metals derivatives [4]	$	8,060.4	9,366	20,435	1.23	16.5

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		Position			VaR[1]	
		Average	**Maximum**	**Limit**	**Average**	**Limit**
December 2013						
Product						
Foreign exchange rate forwards and futures [6] [7] [8]	$	2,834	4,694	5,020	1.97	
Foreign exchange desk [6] [7]		(0.6)	9	55	0.48	
Currency options [7]		50	55	800	0.88	
Dollar futures						
Currency swaps [7]		285	475	1,000	0.01	
Metals forwards [7]		4.6	10.5	50	1.48	
Metals options [7]		–	–	200	0.00	
Metals spot [7]		3.8	4.3	10	1.38	
Foreign Exchange desk and currency and metals derivatives [4]	$	3,176.8	5,247.8	7,135	1.07	16.5

1/ The VaR is expressed in millions of pesos.
2/ Special treasury position.
3/ Only the VaR is shown because the position and limit are in number of contracts operated in MexDer and presented in separate tables.
4/ The holding period for currency, capitals and interest rates and for limits is 1 day.
5/ The limit of IPC futures is expressed in number of contracts and are used for warrant hedges.
6/ The forwards position is gross (long + short) while the exchange position is net (long – short)
7/ The position is expressed in millions of US dollars.
8/ Includes the net position of Treasury foreign exchange forwards.

For interpretation purposes and as by way of example, the average one day VaR for the Bank in the Money market is $6.69. This means that under normal conditions, in 99 days out of 100 days, the maximum potential loss would be $6.69.

During 2014, the Bank participated in the MexDer, operating interest rate futures contracts. Positions for the fourth quarter of 2014 (number of contracts) are shown in the next page

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Underlying asset	Average	Maximum	Limit
28-day TIIE futures	456,188	493,500	850,000
91-day Cetes futures	–	–	20,000
M bond futures [1]	2,164	4,400	39,500
Swap futures	–	–	1,000
Total rate futures [2]	458,352	497,900	910,500
Dollar futures [2]	–	–	30,000

[1] The limit of M bond futures includes 15,000 contracts of M20 bond futures, 20,000 contracts of M10 bond futures, 500 contracts of M30 bond futures.

[2] The position and the limit are in number of contracts operated in the MexDer.

For comparative purposes, below is shown the positions in number of contracts negotiated in the fourth quarter of 2013:

Underlying asset	Average	Maximum	Limit
28-day TIIE futures	283,342	444,618	620,000
91-day Cetes futures	–	–	40,000
M bond futures [1]	3,232	5,277	41,300
Swap futures	–	–	1,000
Total rate futures [2]	286,574	449,895	702,300
Dollar futures [2]	–	–	5,000

[1] The limit of M bond futures includes 15,000 contracts of M20 bond futures, 20,000 contracts of M10 bond futures, 500 contracts of M30 bond futures.

[2] The position and the limit are in number of contracts operated in the MexDer.

Given that the VaR measure is used to estimate potential losses under normal market conditions, stress testing is performed daily, with the purpose of determining exposure to risk considering large abnormal fluctuations in market prices (changes in volatility and correlations between risk factors). The Risk Committee has approved stress limits.

(Continued)

At December 31, 2014, the stress testing figure was $13.7, which compared with the $2,000 limit, is within the acceptable parameters. Scenarios used for stress testing are the 1994 and 1998 crises as well as hypothetical scenarios.

The market risk limits structure foresees volumetric or notional VaR, sensitivity and concentration amounts, stress and term limits, etc.

Also, back-testing is performed monthly for comparing the losses and gains to the observed VaR and thus calibrate the models being used. The model's efficiency level is based on the approach established by the Bank for International Settlements (BIS). As for back-testing performed during the last quarter of 2014 show certain efficiency levels that were in the green under the BIS approach.

For the valuation and risk models, references are used on updated prices, interest rate curves and other risk factors provided by the price supplier "Valuación Operativa y Referencias de Mercado, S. A. de C. V."

Sensitivities

Qualitative information on sensitivities

The Bank has an area that specializes on trading risk analysis, which maintains systematic and continuous oversight of the valuation and risk measurement processes as well as of the sensitivity analysis. Such area has permanent contact with responsible traders in the different markets.

Daily, the risk area calculates the market risk sensitivities for each portfolio to which the Bank is exposed. During 2014, no changes were made to the assumptions, methods or parameters used for this analysis.

Below we present a description of the methods, parameters and assumptions used for the portfolio of stock, currency, interest rates and derivative products.

Interest rate portfolio

Sensitivity measures produced for fixed-income instruments (bonds) are based on estimating the behavior of the portfolio's value in response to a change in the market interest rates. In referring to market interest rates, we refer to the yield curve (not the zero-coupon curves) because it is the yield curve which is quoted in the market and best explains the behavior of losses and gains.

(Continued)

The sensitivities of the fixed-income instruments portfolio are based on durations and convexities, depending on the particular type of instrument. In all cases, there are 2 types of measures: (i) the expected change in the portfolio value in response to a change of 1 bp (0.01%) in the yield curve; and (ii) the expected change in the portfolio value in response to a change of 100 bp (1%) in the yield curve. For purposes of this disclosure, we only report the changes in 1 bp.

The values estimated based on the duration and convexity methodology are a good approximation to the values obtained using the complete or full-valuation methodology.

Two sensitivities are calculated for floating rate bonds: the one relating to the free-risk rate and the other for the spread. In zero-coupon bonds, the computation of the sensitivity of zero coupon instruments, the term to maturity, expressed in years, is used as duration.

Interest rate derivatives

Below is a brief explanation of sensitivity modeling for the Bank’s interest rate derivatives.

TIIE and CETE futures: This type of derivative instruments is modeled for purposes of calculating sensitivities such as the future of a zero-coupon rate and, therefore, its duration is taken into account in estimating its sensitivity.

M bond futures: The sensitivity considers the duration and convexity over the bonds deliverable under these contracts.

Interest rate swaps: For determining the sensitivity to changes in the yield curve of TIIE swaps a 1 bp change is made in each of the relevant points in the yield curve and a 1 and 100 bp is made parallel, valuing the portfolio with the different curves and calculating the change in the portfolio’s value with each of these changes. In this case, the change in 1 bp is reported.

Stock portfolio and IPC derivatives

Stock equity

For stock position purposes, the sensitivity is obtained calculating the Delta by issue within the portfolio. Delta is defined as the change in the portfolio’s value in response to a 1% change in the value of the underlying asset.

(Continued)

Equities derivatives

The Bank might operate equities derivatives transactions through the IPC futures traded at the MexDer. Their sensitivity is calculated through the Delta. This portfolio has limits expressed in notional terms.

The Delta risk is defined as the change in the value of the option in response to a change of a predetermined magnitude in the price of the underlying asset (for example 1%). Its calculation is made by valuing the option with different underlying asset levels (one original and one with a +1% shock) and maintaining all other parameters constant.

In the case of non-linear products such as warrants and options, the Delta and the “Greek” measures are deemed as sensitivity measures. The calculation of sensitivities is based on the formula for modeling options on futures known as the Black (1976) Option Pricing Formula.

Gamma is supplementary to the Delta risk and is another sensitivity measure of the value of an option with respect to the value of an underlying asset. Gamma measures the change rate of Delta in response to a change in the underlying asset level, and similar to the change of Delta, it may be interpreted analytically, as the second partial derivative of the Black & Scholes model with respect to the underlying asset.

Rho is defined as the sensitivity in response to changes in interest rate. In the case of future contracts, this sensitivity may be estimated based on the available market information. The Bank defines Rho as the change in the portfolio’s value in response to a 100 bp change (parallel) in the reference interest rates.

Theta is the sensitivity measure of an options portfolio that indicates the change in the portfolio’s value with the passage of time.

Vega is the name given to the sensitivity measure of the value of an options portfolio in response to changes in the market volatilities of the underlying asset. In general, a long position in options benefits from an increase in the volatility of the underlying assets and a short position has the opposite effect, with a few exceptions such as with binary options.

(Continued)

Dividend Risk. The valuation of options on indices or stock implies a known continuous compound dividend rate. Dividends, however, are an estimate and, therefore, an unknown variable, which represents a risk factor for valuation and the resulting analysis of gains and losses from transactions with options.

There is no Greek letter associated to the sensitivity of dividend risk and in the case of options on indices and stock in the Bank, measurement is made by increasing the dividend rate 1% (i.e. from 1% to 1.01%).

Currency portfolio and currency derivatives

Currency

The portfolio is comprised of various currencies o/
perated by the currencies desk for trading purposes. The sensitivity is calculated as the Delta by currency as the change in the portfolio's value in response to a 1% change in the value of the underlying asset.

Currency derivatives

Currency forwards and futures: For this portfolio, the sensitivity is calculated for each currency in response to changes in the interest rate, as the present value result in response to a parallel 1 bp change along the respective yield curves, with all other factors remaining constant. Also, a change, non-parallel to the yield curves is applied by time gaps, all other factors remaining constant.

Currency options: For exchange rate options, sensitivities known for the Greek letters (i.e. Delta, Gamma, Vega, Theta and Rho) are calculated.

Cross Currency Interest Rate Swap (CCIRS): For determining the sensitivity to changes in the yields curve, a one bp change is made along the respective yields curves, valuing the portfolio with the different curves and calculating the change in the portfolio's value with each of such changes. Also, a parallel analysis with a change of 100 bp is made. In addition, a one bp change is made not parallel to the yield curves by time gaps, maintaining all other factors constant. For purposes hereof, we only present the sensitivity for 1 bp.

(Continued)

(Millions of Mexican pesos)

Qualitative information on sensitivities

Qualitative information on interest rate sensitivities

The following table shows the sensitivity of one bp at December 31, 2014 and 2013:

Sensitivity of 1 bp	**December 2014**	**December 2013**
Fixed rate	(0.28)	(0.03)
Reviewable rate	0.05	0.04
Subtotal – interest rates	(0.23)	0.01
Futures	(0.38)	(0.32)
Swaps	0.19	(0.14)
Caps & Floors	(0.06)	(0.01)
Subtotal – interest rate derivatives	(0.25)	(0.47)
Total	(0.48)	(0.46)

At December 31, 2014, the Bank presents sensitivity in the interest rate portfolio of ($0.48), which means that for each bp the interest rate decreases, a profit of $0.48 would result.

Should the sensitivity scenario depicted in the above table materialize, the profits would have a direct impact on the Bank's results of operations.

The following table shows statistics for the fourth quarter of 2014, maximum, minimum and average. In average, the sensitivity was $0.031.

Sensitivity of 1 bp	**Average**	**Maximum**	**Minimum**
Interest rate	$ 0.321	1.148	(1.196)
Rate derivatives	(0.290)	0.409	(1.079)
Total	$ 0.031	1.557	(2.275)

(Continued)

(Millions of Mexican pesos)

Sensitivities for the portfolio of stock and IPC derivatives

The following table shows the sensitivity at December 31, 2014 and 2013:

	December 2014	December 2013
Total stock	0.019	0.110

At December 31, 2014, the Bank's portfolio of capitals only comprises stock; that is, it has no IPC derivatives, therefore the sensitivity for the fourth quarter of 2014 was $0.019.

Sensitivity	Average	Maximum	Minimum
Stock	$ 0.042	0.125	0.019

The following table shows the sensitivity at December 31, 2014 and 2013:

Exchange rate	December 2014	December 2013
USD	0.297	(0.191)
CAD	0.011	0.013
EUR	0.065	(0.001)
Other	0.131	0.106
Subtotal, carried forward	0.504	(0.073)

(Continued)

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Exchange rate	**December 2014**	**December 2013**
Subtotal, brought forward	0.504	(0.073)
DEUA forwards and futures	(0.061)	(0.023)
OTC MXN/USD options	(0.001)	(0.001)
Swaps	(0.004)	(0.001)
Subtotal	(0.066)	(0.025)
Total	0.438	(0.098)

At December 31, 2014, a change in the sensitivity to the Exchange rate was recorded at $0.438 mainly due to the increase of positions of currency Forwards and Swaps. Currently, the Bank participates in the OTC market of peso-dollar exchange rate options for hedging purposes and to serve its customers. The foreign Exchange (spot/forward) desk does not register material exposures.

Should the sensitivity scenario depicted in the above table materialize, the profits would have a direct impact on the Bank's results of operations.

In average, the quarterly sensitivity of the portfolio of currencies and currency derivatives was $0.034.

Sensitivity		**Average**	**Maximum**	**Minimum**
Currencies		0.003	0.112	(0.115)
Currency derivatives		0.031	0.182	(0.108)
Total	$	0.034	0.294	(0.223)

Sensitivities for peso-dollar exchange rate options, "Greek".

Below we present the position and sensitivities of the currency options portfolio at December 31, 2014:

Greek	**Delta**	**Gamma**	**Vega**	**Theta**	**Rho**
Currency exchange rate (MXN/USD) options	1.758	0.498	0.008	(0.003)	(0.003)

(Continued)

(Millions of Mexican pesos)

(b) Liquidity risk-

The Bank assumes liquidity risks as an intrinsic part of its function as financial intermediary. The liquidity risk is the result of cash flow gaps. The objective of the liquidity risk management process is to guarantee that the Bank will be able to meet the totality of its obligations as they become due and payable. To such end, the Bank applies controls to liquidity gaps, monitors key liquidity indicators, maintains diversified funding sources, establishes limits and maintains a minimum percentage of liquid assets. The Bank manages its exposure to liquidity risk in accordance with the applicable regulatory provisions and the best market practices. In addition, there are contingency plans in place.

The liquidity risk is monitored and controlled through cumulative liquidity gaps. The cash flow gap includes the Bank's flows at contractual maturity (interest income and expense incoming and outgoing payments).

For measuring liquidity risk, the cumulative liquidity gaps at December 31, 2014 and 2013 were as follows:

	December 2014	December 2013
10-day cumulative gap (MXN+UDIs)	(8,312)	(5,741)
30-day cumulative gap (MXN+UDIs)	(21,425)	(16,830)

Cumulative liquidity gaps have implicit contractual maturities, including hedge derivatives positions.

As for the structural market risk for interest rates, the balance sheet valuation takes place under current conditions and its sensitivity to rate increases or decreases is determined.

The Economic Value incorporates the impact of changes in interest rate on the total expected flows, provides a measure of the long-term impact of these variances.

Margin sensitivity measures the impact of reinvesting/funding at 100 bp above the contractual rate from the date of repricing through a one-year horizon; in addition, it assumes that the current balances remain constant during 12 months and that the balances are repriced at the end of each band.

(Continued)

(Millions of Mexican pesos)

For measuring the interest rate risk, the variance in the estimated Economic Value and the estimated variance in financial income at the end of December and, in average, for the fourth quarter of 2014 and 2013 was as follows:

	2014		2013	
	December	**Average**	**December**	**Average**
Economic value	472	477	483	528
Margin sensitivity	293	270	285	286

Treatment for securities available for sale- Below is the valued position for the Bank's available for sale investments at December 2014 and 2013:

Available for sale investments

Type	**December 2014**	**December 2013**	**Position's limit**
Bank	2,818	1,582	4,000
Corporate	150	233	1,000
Government	29,343	25,545	31,500
Other*	2	–	N/A
Total	32,313	27,360	37,500

*Includes assets position as shares and mutual funds.

Being an integral part of the Bank's balance sheet handling, available for sale investments are monitored under the sensitivity measures described above (Economic Value and Margin Sensitivity).

The liquidity risk limits structure considers volumetric or notional amounts, sensitivity, liquid assets, concentration of deposits and liquidity gaps.

At the end of December 2014 and 2013 and in average in the last quarter of 2014 and 2013, the Bank has the following liquid assets:

		2014* Close	*** Average**	**2013 Close**	**Average**
Liquid assets	$	13,472	12,927	9,780	12,036

(Continued)

(Millions of Mexican pesos)

Below is a summary of derivatives at the end of December, used by the Bank for hedging interest rate and exchange rate risks.

Strategy	December 2014 Notional MXN	December 2013 Notional MXN
Interest rate swaps paid at fixed rate (cash flows)	**16,570**	**14,570**
0y - 3y	3,050	1,000
3y - 5y	8,260	6,850
5y - 10y	5,260	6,720
Interest rate swaps paid at floating rate (cash flows)	**7,800**	**9,650**
0y - 3y	7,800	9,650
Interest rate swaps paid at fixed rate (fair value)	**5,122**	**2,976**
0y - 3y	3,758	1,461
3y - 5y	1,364	1,515
Interest rate swaps paid at fixed rate (fair value in USD)	**799**	**810**
0y - 3y	642	612
3y - 5y	157	198
CCIRS paid at fixed rate (fair value in EUR)	**438**	**445**
0y - 3y	438	445
CCIRS paid at fixed rate (fair value in USD)	**–**	**330**
0y - 3y	–	330
CCIRS paid at fixed rate (fair value in UF)	**3,050**	**2,393**
0y - 3y	3,050	2,393
Interest rate swaps paid at fixed rate (fair value – family loan)	**539**	**1,379**
0y - 3y	539	1,379

(Continued)

(c) Credit risk-

Credit risk is defined as the potential loss due to default by a borrower or counterparty in transactions carried out by the Bank. This risk affects not only the loan portfolio but the securities portfolio, transactions in derivatives and foreign exchange transactions.

The Bank's credit risk management is based on the application of well defined strategies for controlling this type of risk, which include the centralization of credit processes, the diversification of the portfolio, improved credit analysis, strict supervision and a credit risk rating model. The Bank has three different levels of credit resolution: the Board of Directors, the Credit Committees and joint powers of the Credit department. Each level is defined depending on the amount of the transaction, the type of borrower and the purpose for which the funds will be used.

The business areas also continually evaluate the financial situation of each customer, conducting an in-depth review and analysis of the inherent risk in each loan at least once a year. Should any impairment in a customer's financial situation be detected, the customer's rate is immediately revised. In this way, the Bank identifies the changes that occur in the risk profile of each customer. Such reviews consider the overall credit risk, including derivative transactions and foreign exchange exposure. In the case of potencial risks identified, additional reviews are carried out more frequently, at least once each quarter.

Credit risk concentrations- The Bank has implemented policies and procedures to maintain a sound and diversified portfolio with a prudent and controlled risk. Among such policies are the setting of credit risk exposure limits, considering business unit, currency, term, sector, etc. The limits are submitted annually to the Board of Directors for approval and their behavior is monitored and reported to the Risk Committee on a monthly basis.

Methodology used to determine allowances for loan losses - The Bank uses a credit risk classification system approved at the institutional level, in order to identify the creditworthiness of the debtor as well as to ensure that the yields from each loan are proportionate to the risk assumed. Such system incorporates strategies to grant loans and monitor the performance of the loan portfolios, it also has processes and systems that allow portfolio grading and estimating allowances and losses.

(Continued)

(Millions of Mexican pesos)

This model considers the following risk factors: country risk, financial behavior, financial hedging, debtor management, overall strength (the customer's relation to the economic environment, competitiveness, strengths and weaknesses), account management, industry conditions and payment experience.

Such factors constitute an evaluation of the customer's risk profile and the result is obtained by applying an algorithm that considers such elements. This algorithm is the result of BNS experience, its statistical analysis and adaptation to the Mexican market.

The internal grading system uses the following ratings:

Rating	IG code
Excellent risk	98
Very good risk	95
Good risk	90
Satisfactory risk	87
High adequate risk	85
Medium adequate risk	83
Low adequate risk	80
Medium risk	77
High moderate risk	75
Medium moderate risk	73
Low moderate risk	70
Watch list	65
Special supervision	60
Sub-standard	40
Default under Basel	27
Doubtful recovery	21
Non-performing	20

Estimates for commercial loans are based on the individual assessment of the credit risk of debtors and their rating, in compliance with the General Provisions applicable to the Loan Portfolio Rating Methodology of Credit Institutions established by the Banking Commission. To such effect, the portfolio secured by or owned by the Federal Government, Banco de México and the Mexican Bank Savings Protection Institute or IPAB, in accordance with the Rule for rating the Loan Portfolio of Multiple Banking Institutions.

Specific rating methodologies prescribed by the aforementioned Provisions are used in commercial loan portfolios with federal and municipal entities, as well as decentralized agencies, in those of investment projects with own source of payment, in those of trustees who act under trusts and "structured" loan schemes with modification of net worth that allow for the individual assessment of the related risk, as well as in the portfolio with financial entities.

(Continued)

Since March 2012, for the commercial loan portfolio granted to corporations and individuals the internal rating methodology authorized by the Banking Commission is used, which is based on the estimate of an expected loss through the calculation of the probability of default and loss given default associated with the value and nature of the loan's collateral. The foregoing is in accordance with the provisions of Section Four, Chapter V, Title Two of the Provisions. However, the following segments are exempted from such methodology: the special loan program called Scotia Empresarial, which is rated by applying an internal model based on the debtor's creditworthiness, certified by the Banking Commission and the segment corresponding to debtors with net sales or revenues lesser than 14 million UDIS, which is rated using the methodology referred to in paragraph a) number V of article 110, exhibit 21 of the Provisions, which superseded the one applied to debtors which total loans do not exceed 2 million UDIS, which was applied through November 30, 2013.

The internal rating methodology considers a two-dimensional approach by including the as key risk elements for calculating reserves, creditworthiness of the debtor translated into the Probability of Default as well as the Loss Given Default of transactions, on the basis of individual characteristics; both elements are estimated with own historical data.

With the purpose of estimating the reserve of borrowers in the consumer portfolios, the Bank uses the regulatory methodologies published in the Provisions. The aforementioned estimate methodologies are based on the calculation of the Expected Loss for each of the loans from the parameters of Probability of Default and Exposure at Default and are based on specific information and characteristics of the assessed loans.

The measurement and monitoring of the credit risk is also based on an expected and unexpected loss model.

- The expected loss represents an estimate of the probability of default, loss given default and exposure at default in a 12-month period.

- The unexpected loss is a measure of dispersion around the expected loss and is calculated on the basis of risk parameters adjusted for obtaining capital.

- Additionally, stress tests are performed for determining its impact on the portfolio's expected and unexpected loss, which are presented to and analyzed by the Risk Committee.

(Continued)

(Millions of Mexican pesos)

At the end of December and in average for the fourth quarter of 2014 and 2013, the expected and unexpected loss over the Bank's total portfolio was as follows:

	2014		2013	
	December	Average	December	Average
Expected loss	3,879	3,743	3,243	3,493
Unexpected loss	20,160	19,454	15,940	15,850

For interpreting the expected and unexpected loss and by way of example, the average expected loss during the fourth quarter of 2014 was $3,743, which represents the amount the Bank expects to lose (in average) during the next twelve months by way of defaults given the characteristics of its portfolios; while the unexpected loss was $19,454 and represents the necessary economic capital to maintain the Institution's solvency in the event of a large magnitude adverse event that has an impact on the credit portfolios.

At the end of December, the total and average quarterly exposure of the loan portfolio for 2014 and 2013 corresponds to the following:

Loan portfolio exposure by portfolio

	2014		2013	
	December	Average	December	Average
Total	**186,747**	**183,550**	**162,764**	**151,890**
Mortgage loans	67,580	66,379	57,204	56,013
Auto loans	12,874	12,737	12,484	12,176
Non-revolving personal loans	5,354	5,488	6,490	6,818
Revolving personal loans	7,792	7,832	7,458	7,456
Commercial loans*	93,147	91,114	79,128	69,427

***Includes letters of credit**

(Continued)

(Millions of Mexican pesos)

Credit risk in investment securities - Below is a summary of exposures, credit quality and concentration by risk level of investment securities at the end of December 2014 and 2013:

		Held-to maturity	Available-for-sale	Trading	Total by risk	% concentration
December 2014						
mxAAA	$	3,354	29,622	18,198	51,174	95.0%
mxAA		–	150	–	150	0.3%
mxA		–	–	–	–	–
mxBBB		–	2,539	–	2,539	4.7%
Not rated		–	2	–	2	–
Total	**$**	**3,354**	**32,313**	**18,198**	**53,865**	**100%**
Concentration		6%	60%	34%	100%	
December 2013						
mxAAA	$	2,143	24,584	11,621	38,348	93%
mxAA		–	753	157	910	2%
mxA		–	–	15	15	–
mxBBB		–	2,021	–	2,021	5%
Not rated		–	2	9	11	–
Total	**$**	**2,143**	**27,360**	**11,802**	**41,305**	**100%**
Concentration		5.2%	66.2%	28.6%	100%	

*Information corresponding to the Bank which does not consider the consolidation effects with subsidiaries.

Credit risk in derivative transactions

In addition to the risk measures mentioned earlier for derivative transactions, potential exposure is measured, which measures the replacement value throughout the remaining life of the contract's transaction.

(Continued)

(Millions of Mexican pesos)

Potential exposure limits by counterparty consider the current market value (only the positive that involves counterparty risk for the Bank) and the replacement value (or potential exposure) without considering netting.

Below we present the exposure and concentration by type of counterparty at the end of December 2014 and 2013:

Type of counterparty	**Exposure ($)**	**Concentration (%)**
December 2014		
Financial institutions	6,932	95
Corporate headquarters	392	5
Total maximum exposure	7,324	100
December 2013		
Financial institutions	34,783	98
Corporate headquarters	683	2
Total maximum exposure	35,466	100

The breakdown operated by type of derivative is included in table 2 under the heading of market risk and the last table under the liquidity risk heading.

(d) Operational risk-

The operational risk is a non-discretionary risk, which is defined as the potential loss resulting from internal controls failures or deficiencies, errors in transaction processing or storage or in data transmission as well as adverse administrative or legal resolutions, frauds or theft and includes, among other things, technological risk and legal risk.

The Bank has put in place policies and procedures enabling it to implement an appropriate operational risk management process, which are mentioned as follows.

Policies for operational risk management

These policies are intended for establishing the principles and management framework to identify, measure, monitor, limit, control and disseminate the operational risks inherent in the day-to-day activities and to promote a risk management culture throughout the Bank.

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Operational Risk Assessment

The Bank has a structured methodology for assessing operational risk, which allows the Bank to identify, assess and mitigate the risk inherent in its processes and business activity, which is applied to the entire structure, the assessment is based on the identification of inherent operational risk, assessing the effectiveness of controls in such risks, on wich is determined a level of residual risk from which actions are set to mitigate identified risks.

Manual for Operational Risk Data Gathering and Classification.

These policies define the requirements for reporting the information that supports the measuring processes, as well as the scope of the data gathering process, the functions and responsibilities of the business units for gathering and reporting loss data, as its specific characteristics. At the 2014 close, the Bank recorded operational risk losses for $193, which were $55 less than those recorded in 2013 ($248).

Operational risk tolerance levels

This is an operational loss management tool that enables each of the Bank's area to know the tolerance levels of losses applicable to each assumed loss event, and serves as an incentive for the improvement of the operational risk management process and the adoption of the necessary action to minimize the risk of future losses.

Key risk indicators

This process allows the Bank to establish indicators from process variables, which behavior is related to the level of risk assumed. By tracking each indicator, trends are identified that allow for managing the indicator's values over time. Admissible thresholds are established for each of the selected indicators.

Estimate of legal risk losses

The Bank has a methodology for estimating expected and unexpected legal risk losses through for estimating probable losses arising from an adverse outcome of trials in process. Such methodology is based on the loss experience of previous years that is used for determining the likelihood of loss associated with the ongoing legal issues through a statistical severity and occurrence analysis.

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Technological risk

Technological risk is defined as the potential loss associated with damage, interruption, modification or failure resulting from the use of hardware, software, systems, applications, networks and any other cannel for transmitting information in rendering services to the Bank's customers.

In order to attend to requirements of regulations in terms of technological risk, the Bank has technological risk management policies, which describe the guidelines and methodology for assessing technological risks. Furthermore, the DGA of Information Technology has policies, procedures and systems that contribute to compliance of the related requirements.

The technological risk methodology, which assesses vulnerabilities, considers the criticality of the information in terms of completeness, confidentiality, availability and continuity to identify the risks inherent in the technological applications and infrastructure, assess the controls in place and obtain the residual risk. As a result, the methodology sets forth a proposal of controls for mitigating the technological risk at an acceptable level.

The regular audits performed by an independent and skilled internal audit department include comprehensive reviews of the design, implementation and exploitation of the internal control systems in every business and support area, new products and systems and of the reliability and completeness of data processing operations.

(24) Recently issued accounting standards-

I. On May 19, 2014, the SHCP published in the Official Gazette the resolution amending the provisions of general application that include the accounting criteria applicable to the credit institutions. These provisions shall ented into force on June 1, 2015, based on the extended period published on February 5, 2015, among the major changes that have these criteria are the following:

A-2 "Application of particular provisions"-

Regarding the classification of customers´ overdraft checking account who do not have a credit facility, shall be considered as overdue debts. In addition, the simultaneous creation of an allowance for doubtful for the full amount of the overfraft is required.

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B-1 "Cash and cash equivalents"-

Items of restricted cash equivalents or items with negative balance will be presented in the caption "Other accounts payable".

B-6 "Loan portfolio"-

- The following deletions are considered:
- Some rules of valuation, presentation and disclosure of financial factoring.

- Various specifications of the elements to evaluate to determine whether restructured or renewed loans portfolio should remain in force or are classified as past-due were modified.

C-3 "Related parties"-

Various definitions are amended to converge with the provisions of MFRS issued by the CINIF.

II. On December 31, 2014, the Commission issued the resolution amending the provisions of general application for the credit institutions (the Resolution), wich came into effect beginning October 2015.

Establishes minimum capitalization index required for credit institutions of 8% and foresee coefficient of compliance for the components of net capital, specifically, for the basic capital of 6% and for the fundamental capital of at least 4.5%, likewise, a complimentary capital of 2.5% of total weighted assets subject to risk, which must be created for fundamental capital.

Aditionally, the Resolution establishes that the institutions must perform at least once a year, Evaluation of Capital Adequacy to determine if the net capital they have, result sufficient to cover any losses they may face in different scenarios, including those in which adverse economic conditions prevail, to the end that credit institutions have an adequate level of capital, at all times, relative to its desired risk profile and, with strategies to maintain capital levels within it.

Finally, the coefficients are updated by market risk considering the market risk factors that occur whenever these have not been changed in a long time and should reflect current conditions accurately, while aligning treatment share-holding in the context of market risk, in line with international practices.

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III. The CINIF has issued new MFRS and improvements to MFRS 2015, containing specific amendments to some existing MFRS. Management estimates that the new MFRS and improved MFRS will not generate significant effects; in relation to MFRS D-3 "Employee benefits" (note 16), the effect of adopting the new standard will mainly involve recognice as part of other comprehensive income in stockholders' equity, the cumulative effect, at the date the entry into force of the MFRS, actuarial gains and losses; and subsequently during the average remaining life of employees, this effect is recognized as part of the results of each of the exercises.

FRS C-3 *"Accounts Receivable"*- FRS C-3 is effective for years beginning January 1, 2018, and is applicable retrospectively; however, early adoption is allowed as of January 1, 2016, provided that it takes place concurrently with the adoption of FRS C-20 "Financial instruments receivables".

FRS C-9 *"Provisions, contingencies and commitments"*- FRS C-9 is effective for years beginning on or after January 1st, 2018, early adoption is allowed, provided that it takes place currently with the initial adoption of FRS C-19 "Financial instruments payable". FRS C-9 supersedes Bulletin C-9 "Liabilities, provisions, contingent assets and liabilities and commitments". The first-time adoption of this FRS does not produce accounting changes in the consolidated financial statements. Among the main points covered by the FRS included the following:

- Its scope is reduced by moving the subject concerning the accounting treatment of financial liabilities to FRS C-19 "Financial instruments payable".
- The definition of "liability" is changed by eliminating the qualifier "virtually unavoidable" and including the word "probable".
- The terminology employed throughout the standard is updated to standardize its presentation to the rest of the FRS.

FRS C-19 *"Financial instruments payable"*- FRS C-19 effective for years beginning on or after January 1st, 2018, with retrospective effect, early adoption is permitted is allowed provided that it takes place concurrently with the adoption of FRS C-9 "Porvisions, contingencies and commitments", FRS C-3 "Accounts receivable" and FRS C-20 "Financial instruments receivables". Some of the main points covered by this FRS include the following:

- It provides for the posibility measuring, subsequent to their initial recognition, certain financial liabilities at fair value when certain conditions are fulfilled.
- Long-term liabilities are initially recognized at present value.

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- In restructuring a liabilitiy, without the future cash flows for its settlement being substantially modified, the cost and commissions expensed in this process shall affect the amount of the liability and be amortized on a modified effective interest rate basis instead of directly affecting the net income or loss.

- It includes the provisions of IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", wich was not provided for by the existing standard.

- The effect of extinguishing a financial liability should be presented as a financial result in the comprehensive statement of income.

- It introduces the concepts of amortized cost to valuing financial liabilities and of the effective interest method based on the effective interest rate.

FRS D-3 *"Employee benefits"*- FRS D-3 is effective for years beginning on or after January 1st, 2016, with retrospective effect and early adoption is permitted as of January 1st, 2015. FRS D-3 supersedes the provisions in FRS D-3. Main changes include the following:

- **Direct benefits-** The classification of direct short-term benefits was modified and the recognition of deferred ESPS was ratified.

- **Termination benefits-** The bases were modified for identifying when payments termination of a work relationship actually meet post-employment benefits or when they are termination benefits.

- **Post-employment benefits-** Among others, the following were modified: the accounting recognition of the multi-employer plans, government plans and plans of entities under common control; the recognition of the net defined benefit liability (asset); the bases for determining the actuarial hypothesis in the discount rate; the recognition Services Cost of Past Periods (SCCP) and of the Early Settlement of Obligations (ESO).

  Remeasurements- In recognizing post-employment benefits, the corridor approach is eliminated in the treatment of plan's profit and losses (PPL); therefore, they are recognized as accrued and recognized directly in Other Comprehensive Income ("ORI"), requiring their recycling to the period's net profit or loss under certain conditions.

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- **Plan Assets Ceiling (PA)-** Identifies a plan asset ceiling and specifies which entity contributed funds do not qualify as such.

- **Recognition in profit or loss of PM, SR and gain or losses from Early Settlement of Oligations (ESO) -** In post-employment benefits, the totally of the Service Cost of Past Periods (SCPP) of Plan Modifications (PM), Staff Reductions (SR) and the gains or losses from Early Settlement of Obligations (ESO) are immediately recognized in profit or loss.

- **Discount rate-** Established that the discount rate of DBO is based on investment grade corporate bond rates (deep market) and, in their absebce, on government bonds rates.

- **Termination benefits-** Requires an analysis as to whether separation payments qualify as termination benefits or are actually post-employment benefits and notes that if the benefit is non-cumulative with no preexisting granting conditions, it is a termination benefit and, therefore, it should be recognized when the event occurs. However, if preexisting conditions are present, either contractually, by law or payment practices, it is deemed a cumulative benefit and should be recognized as a post-employment benefit.

2015 FRS Improvements

In December 2014, CINIF issued the document referred to as "2015 FRS Improvements", which contains precise modifications to some FRS. The modifications that bring about accounting changes are listed below:

FRS B-8 "Consolidated or combined financial statements"- FRS B-8 defines investment entities and stipulates that, in view of the characteristics of such entities' primary activities, they generally do not exert control over an investee. This improvement is effective for periods beginning on or after January 1, 2015 and accounting changes that arise should be recognized retrospectively.

Bulletin C-9 "Liabilities, provisions, contingent assets and liabilities and commitments"- Bulletin C-9 porvides that foreign currency advance should be recognized at the exchange rate prevailing on the date of the transaction; that is, at the historical exchange rate. Such amounts should not be modified by subsequent exchange fluctuations between the functional currency and the foreign currency in which price of goods and services related to such advance payments are denominated. This improvements is effective for periods beginning on or after January 1, 2015 and the accounting changes that arise should be recognized retrospectively.

Management estimates that the new FRS and improvements to FRSs not generate significant effects.