

**SCOTIA INVERLAT CASA DE BOLSA,  
S. A. DE C. V.**

Grupo Financiero Scotiabank Inverlat

Financial Statements

December 31, 2013 and 2012

With Statutory and Independent  
Auditors' Reports Thereon

(Free Translation from Spanish  
Language Original)

**Statutory Auditors' Report**  
(Free Translation from Spanish Language Original)

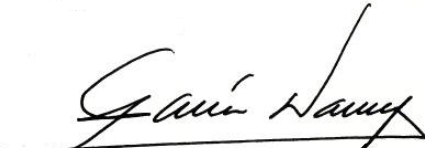
The Stockholders  
Scotia Inverlat Casa de Bolsa, S. A. de C. V.,  
Grupo Financiero Scotiabank Inverlat:


In our capacity as Statutory Auditors of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat (“the Brokerage Firm”), we hereby submit our report on the reliability, fairness and sufficiency of the financial information furnished to you by the Board Directors, for the year ended December 31, 2013.

We have attended the Stockholders' and Board of Directors' meetings to which we have been summoned, and we have obtained from the directors and management of the Brokerage Firm such information on the operations, documentation and accounting records, as we considered necessary in the circumstances.

In our opinion, the accounting and reporting criteria and policies followed by the Brokerage Firm and considered by management in preparing the financial statements presented at this meeting, are adequate and sufficient under circumstances and have been applied on a basis consistent with that of the preceding year. Therefore, such information is a fair, sufficient and reasonable representation of the financial position of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat as of December 31, 2013, and the results of its operations and cash flows for the year then ended, in conformity with the accounting criteria for brokerage firms in Mexico issued by the National Banking and Securities Commission.

Sincerely,

  
Guillermo García-Naranjo Álvarez  
Statutory Auditor for Series “F” shares

  
Jorge E. Peña Tapia  
Statutory Auditor for Series “B” shares

Mexico City, February 21, 2014.



**KPMG Cárdenas Dosal**  
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## **Independent Auditors' Report** (Free Translation from Spanish Language Original)

The Board of Directors and Stockholders  
Scotia Inverlat Casa de Bolsa, S. A. de C. V.,  
Grupo Financiero Scotiabank Inverlat:

We have audited the accompanying financial statement of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat (“the Brokerage Firm”) which comprise the balance sheets as of December 31, 2013 and 2012 and the 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 financial statements*

Management is responsible for the preparation and presentation of these financial statements in accordance with the accounting criteria for brokerage firms in Mexico established by the National Banking and Securities Commission (“the Commission”) and for internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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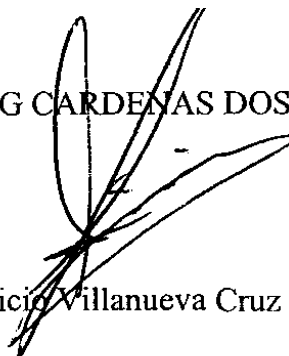
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements of Scotia Inverlat Casa de Bolsa S. A. de C. V., Grupo Financiero Scotiabank Inverlat as of December 31, 2013 and 2012, have been prepared, in all material respects, in accordance with the accounting criteria for brokerage firms in Mexico issued by the Commission.

KPMG CARDENAS DOSAL, S. C.

Mauricio Villanueva Cruz



February 21, 2014.



**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
Grupo Financiero Scotiabank Inverlat

Balance Sheets

December 31, 2013 and 2012

(Millions of Mexican pesos)

**Memorandum accounts**

	<b><u>2013</u></b>	<b><u>2012</u></b>		<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Transactions on behalf of third parties</b>			<b>Transactions for the Brokerage Firm's own account</b>		
Customer current accounts:			Collaterals received by the entity:		
Customers' banks	\$ 131	31	Governmental debt	40,155	36,387
Settlement of customers' transactions	3	42	Banking debt	809	610
Other current accounts	244	237	Other debt securities	–	151
	378	310	Equity instruments	512	342
				41,476	37,490
Custody operations:			Collaterals received and sold or pledged		
Customer securities in custody			in guarantee by the entity (note 15):		
(note 15)	278,825	219,199	Governmental debt	40,155	36,387
Management transactions:			Banking debt	809	610
Securities on repurchase/resell agreements			Other debt securities	–	151
by customers (note 15)	87,483	82,789	Equity instruments (note 7)	229	186
Securities lending transaction				41,193	37,334
by customers (note 15)	104	65			
Collaterals received in guarantee			Other accounts	3,340	9,627
by customers (note 15)	46,605	45,809			
Collaterals delivered in guarantee					
by customers (note 15)	42,805	38,980			
Managed trusts	162	145			
	177,159	167,788			
<b>Total transactions on behalf of third parties</b>	<b>\$ 456,362</b>	<b>387,297</b>	<b>Total for the Brokerage Firm</b>	<b>\$ 86,009</b>	<b>84,451</b>

(Continued)

**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
Grupo Financiero Scotiabank Inverlat

Balance Sheets, continued

December 31, 2013 and 2012

(Millions of Mexican pesos)

<b>Assets</b>	<b>2013</b>	<b>2012</b>	<b>Liabilities and Stockholders' Equity</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents (note 5)	\$ 58	55	Bank and other borrowings short-term	\$ 357	8
Margin accounts (derivatives)	1	1	Creditors under repurchase/resell agreements (note 7)	5,537	8,495
Investment securities (note 6):			Collateral sold or pledged:		
Trading securities	7,540	14,286	Securities lending (note 7)	229	186
Available-for-sale securities	566	600	Derivatives (note 8):		
	8,106	14,886	Trading purposes	1,035	3,012
Debtors on repurchase/resell agreements (note 7)	1	2	Other accounts payable:		
Derivatives (note 8):			Income taxes payable (note 14)	-	18
Trading purposes	373	264	Employee statutory profit sharing payable	28	46
Accounts receivable, net (notes 5, 6 and 8)	370	305	Creditors pending settlements (notes 5, 6 and 8)	270	1,753
Premises, furniture and equipment, net (note 9)	153	161	Sundry creditors and other accounts payable (note 11)	228	234
Permanent investments (note 10)	3	3	Deferred taxes and deferred employee statutory profit sharing, net (note 14)	128	112
Other assets:			Total liabilities	7,812	13,864
Deferred charges, prepaid expenses and intangibles	116	101	Stockholders' equity (note 13):		
Other short and long term assets (note 11)	30	31	Paid-in capital:		
	146	132	Capital stock	554	551
			Earned capital:		
			Statutory reserves	86	65
			Retained earnings	332	643
			Unrealized gain from valuation of available-for-sale securities	245	265
			Net income	182	421
				845	1,394
			Total stockholders' equity	1,399	1,945
<b>Total assets</b>	<b>\$ 9,211</b>	<b>15,809</b>	<b>Total liabilities and stockholders' equity</b>	<b>\$ 9,211</b>	<b>15,809</b>

"The historical capital stock at December 31, 2013 and 2012 amounts to \$389 y \$386, respectively."

See accompanying notes to financial statements.

"These balance sheets have been prepared in accordance with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Articles 205, last paragraph, 210 second paragraph and 211 of the Securities Market Law, 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 Brokerage Firm as of the dates indicated above. Furthermore these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

These balance sheets faithfully match with the original balance sheets, which are properly signed and held by the Brokerage Firm.

**SIGNATURE**

\_\_\_\_\_  
Pablo Aspe Poniatowski  
General Director

**SIGNATURE**

\_\_\_\_\_  
Michael Coate  
Deputy General Director Finance  
and Business Intelligence

**SIGNATURE**

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Agustín Corona Gabbler  
Deputy General Director  
Group Audit

**SIGNATURE**

\_\_\_\_\_  
H. Valerio Bustos Quiroz  
Director of Group  
Accounting

**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
Grupo Financiero Scotiabank Inverlat

Statements of Income

Years ended December 31, 2013 and 2012

(Millions of Mexican pesos)

	<u>2013</u>	<u>2012</u>
Commission and fee income	\$ 596	591
Commission and fee expense	(42)	(46)
Financial advisory income	<u>131</u>	<u>100</u>
Income from services	<u>685</u>	<u>645</u>
Gain on purchase and sale of securities (note 6)	1,941	1,236
Loss on purchase and sale of securities (note 6)	(2,071)	(1,141)
Interest income (notes 6 and 7)	1,871	2,270
Interest expense (note 7)	(1,651)	(2,017)
Valuation gain (loss) on securities at fair value (notes 6 and 8)	<u>91</u>	<u>(59)</u>
Intermediation financial margin	<u>181</u>	<u>289</u>
Other operating income (note 1)	61	254
Administrative and promotional expenses	<u>(697)</u>	<u>(700)</u>
	<u>(636)</u>	<u>(446)</u>
Income before income taxes	<u>230</u>	<u>488</u>
Current income taxes (note 14)	(27)	(86)
Deferred income taxes, net (note 14)	<u>(21)</u>	<u>19</u>
	<u>(48)</u>	<u>(67)</u>
Net income	\$ <u><u>182</u></u>	<u><u>421</u></u>

See accompanying notes to financial statements.

"These statements of income have been prepared in accordance with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Articles 205, last paragraph, 210 second paragraph and 211 of the Securities Market Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the revenues and disbursements relating to the transactions carried out by the Brokerage Firm for the years indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

These statements of income faithfully match with the original statements of income, which are properly signed and held by the Brokerage Firm.

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\_\_\_\_\_  
Pablo Aspe Poniatowski  
General Director

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Agustín Corona Gahbler  
Deputy General Director  
Group Audit

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Michael Coate  
Deputy General Director Finance  
and Business Intelligence

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H. Valerio Bustos Quiroz  
Director of Group  
Accounting

**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
Grupo Financiero Scotiabank Inverlat

Statements of Changes in Stockholders' Equity

Years ended December 31, 2013 and 2012

(Millions of Mexican pesos)

	<u>Capital stock</u>	<u>Statutory reserves</u>	<u>Retained earnings</u>	<u>Unrealized gain from valuation of available-for- sale securities</u>	<u>Net income</u>	<u>Total stockholders' equity</u>
Balances as of December 31, 2011	\$ 551	58	908	169	142	1,828
<b>Changes resulting from stockholders' resolutions:</b>						
Creation of statutory reserve	-	7	(7)	-	-	-
Appropriation of prior year's net income	-	-	142	-	(142)	-
Dividends declared (note 13c)	-	-	(400)	-	-	(400)
	<u>-</u>	<u>7</u>	<u>(265)</u>	<u>-</u>	<u>(142)</u>	<u>(400)</u>
<b>Changes related to recognition of comprehensive income (notes 13b and 14):</b>						
Valuation effects of available-for-sale securities, net of deferred taxes of \$65 (note 6)	-	-	-	96	-	96
Net income	-	-	-	-	421	421
	<u>-</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>421</u>	<u>517</u>
Balances as of December 31, 2012	<u>551</u>	<u>65</u>	<u>643</u>	<u>265</u>	<u>421</u>	<u>1,945</u>
<b>Changes resulting from stockholders' resolutions:</b>						
Subscription of shares (note 13a)	3	-	(3)	-	-	-
Appropriation of prior year's net income	-	21	400	-	(421)	-
Dividends declared (note 13c)	-	-	(708)	-	-	(708)
	<u>3</u>	<u>21</u>	<u>(311)</u>	<u>-</u>	<u>(421)</u>	<u>(708)</u>
<b>Changes related to recognition of comprehensive income (notes 13b and 14):</b>						
Valuation effects of available-for-sale securities, net of deferred income tax and deferred employee statutory profit sharing of (\$14) (note 6)	-	-	-	(20)	-	(20)
Net income	-	-	-	-	182	182
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20)</u>	<u>182</u>	<u>162</u>
Balances as of December 31, 2013	<u>\$ 554</u>	<u>86</u>	<u>332</u>	<u>245</u>	<u>182</u>	<u>1,399</u>

See accompanying notes to financial statements.

"These statements of changes in stockholders' equity have been prepared in accordance with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Articles 205, last paragraph, 210 second paragraph and 211 of the Securities Market Law, 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 Brokerage Firm for the years indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

These statements of changes in stockholders' equity faithfully match with the original statements of changes in stockholders' equity, which are properly signed and held by the Brokerage Firm.

**SIGNATURE**

\_\_\_\_\_  
Pablo Aspe Poniatowski  
General Director

**SIGNATURE**

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Michael Coate  
Deputy General Director Finance  
and Business Intelligence

**SIGNATURE**

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Agustín Corona Gahbler  
Deputy General Director  
Group Audit

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H. Valerio Bustos Quiroz  
Director of Group  
Accounting



**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
Grupo Financiero Scotiabank Inverlat

Statements of Cash Flows

Years ended December 31, 2013 and 2012

(Millions of Mexican pesos)

	<u>2013</u>	<u>2012</u>
Net income	\$ 182	421
Items not requiring (providing) cash flow:		
Impairment losses or impairment reversal		
in investing activities	-	(1)
Depreciation of premises, furniture and equipment	13	12
Amortization of intangible asset	1	1
Provisions	231	23
Current and deferred income taxes	48	67
Valuation (loss) gain on securities at fair value	<u>(91)</u>	<u>59</u>
Subtotal	<u>202</u>	<u>161</u>
Operating activities:		
Change in margin accounts	-	11
Change in investment securities	6,753	(15)
Change in debtors on repurchase / resell agreements	1	(1)
Change in derivatives (asset)	183	(283)
Change in other operating assets	(74)	(39)
Change in bank and other borrowings	349	2
Change in creditor on repurchase / resell agreements	(2,958)	(2,935)
Change in securities lending (liabilities)	-	(1)
Change in collaterals sold or pledged	43	39
Change in derivatives (liabilities)	(2,186)	1,218
Change in other operating liabilities	(1,721)	1,603
Change of income taxes (return)	-	324
Payment of income taxes	<u>(52)</u>	<u>(76)</u>
Net cash flows from operating activities	<u>338</u>	<u>(153)</u>
Investing activities:		
Payments for acquisition of premises, furniture and equipment	(5)	(4)
Cash received from disposal of other long-term investments	-	1
Cash received from dividends declared in cash	-	1
Payments for acquisition of intangible assets	<u>(6)</u>	<u>(1)</u>
Net cash flows from investing activities	<u>(11)</u>	<u>(3)</u>
Net cash flows from financing activities		
payment of dividends	<u>(708)</u>	<u>(400)</u>
Net increase in cash and cash equivalents	3	26
Cash and cash equivalents at beginning of year	<u>55</u>	<u>29</u>
Cash and cash equivalents at end of year	\$ <u>58</u>	\$ <u>55</u>

See accompanying notes to financial statements.

"These statements of cash flows have been prepared in accordance with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Articles 205 last paragraph, 210 second paragraph and 211 of the Securities Market Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the cash inflows and cash outflows relating to the transactions carried out by the Brokerage Firm for the years indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

These statements of cash flows faithfully match with the original statements of cash flows which are properly signed and held by the Brokerage Firm.

**SIGNATURE**

\_\_\_\_\_  
Pablo Aspe Poniatowski  
General Director

**SIGNATURE**

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Agustín Corona Gahbler  
Deputy General Director  
Group Audit

**SIGNATURE**

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Michael Coate  
Deputy General Director Finance and  
Business Intelligence

**SIGNATURE**

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H. Valerio Bustos Quiroz  
Director of Group  
Accounting

**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

December 31, 2013 and 2012

(Millions of Mexican pesos)

*These 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-***

Scotia Inverlat Casa de Bolsa, S. A. de C. V. (“the Brokerage Firm”) 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 is a subsidiary of The Bank of Nova Scotia (BNS), which holds 97.4% of its capital stock. The Brokerage Firm acts as an intermediary in securities and financial transactions authorized under terms of the Securities Market Law (SML) and general provisions issued by the National Banking and Securities Commission (“the Commission”). For the years ended December 31, 2013 and 2012, the Brokerage Firm obtained from related companies 27% and 23% of its operating income, respectively.

***Significant Transaction in 2013-***

**(a) *Decree and payment of dividends-***

As mentioned in note 13 to the financial statements, on May 24, August 23 and November 13, 2013, dividends were decreed through resolutions of the Ordinary General Meeting of Stockholders for \$77, \$81 and \$550, respectively, such dividends were paid during the year 2013.

***Significant Transaction in 2012-***

**(b) *Refund of income taxes-***

In August 2012, the Brokerage Firm obtained an income tax refund for \$203 as a result of the judgment in its favor handed down by the Third Regional Metropolitan Division of the Federal Fiscal and Administrative Justice Court, as established in official letter number 900-06-02-03-00-2012-50421. Such judgment enabled deducting the total tax loss from selling of shares during the fiscal years 2000 and 2001; in such years, the Income Tax Law only allowed the deduction of these tax losses from selling shares up to the maximum profits generated by the same concept. The refund amount was recorded under the caption “Other operating income” in the statement of income.

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**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

**(2) Summary of significant accounting policies-****(a) *Financial statement authorization, presentation and disclosure-***

On February 21, 2014, Pablo Aspe Poniowski (General Director), Michael Coate (Deputy General Director Finance and Business Intelligence), Agustín Corona Gahbler (Deputy General Director Group Audit) and H. Valerio Bustos Quiroz (Director of Accounting Group); authorized the issuance of the accompanying financial statements and notes thereon.

The stockholders and the Commission are empowered to modify the financial statements after issuance. The accompanying financial statements will be submitted to the next Stockholders' Meeting for approval.

The financial statements of the Brokerage Firm have been prepared based on the SML and in accordance with the accounting criteria for brokerage firms in Mexico, established by the Commission, which is responsible for the inspection and supervision of brokerage firms and for reviewing their financial information.

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

According to the accounting criteria, the Commission shall issue particular rules for specialized transactions, and in the absence of an express accounting criterion of the Commission for brokerage companies first and then for credit institutions, and in a wider context the Mexican Financial Reporting Standards (FRS), issued by Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A.C. or CINIF). The suppletory process as established by FRS 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 that standard with the requirements of criterion A-4 of the Commission. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and subsequently any other formal and recognized accounting standard.

(Continued)

**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

The preparation of the financial statements requires management of the Brokerage Firm to make estimates and assumptions that affect to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuations of financial instruments and derivatives; amounts related to employees' benefits and the materialization of deferred income taxes. Actual results could differ from those estimates and assumptions.

For purposes of disclosure, when reference is made to pesos or "\$", it means millions of Mexican pesos, and when reference is made to dollars, it means of dollars of the United States of America.

The accompanying financial statements recognize the assets and liabilities arising from investments securities repurchase and resell agreements from transactions carried out for the Brokerage Firm's own account as well as those carried out on behalf of its customers as of the trade date, rather than settlement date.

**(b) *Recognition of the effects of inflation-***

The accompanying financial statements include the recognition of inflation up to December 31, 2007, in accordance whit accounting standards.

The years ended December 31, 2013 and 2012 are considered non-inflationary economic environment (inflation accumulated over the three preceding years less than 26%), as established in FRS B-10 "Effects of Inflation", consequently the effects of inflation on the Brokerage Firm'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 and the indices used to recognize inflation, are shown on the next page.

(Continued)

**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos, except the UDI value)

<u>December 31,</u>	<u>UDI</u>	<u>Inflation</u>	
		<u>Annual</u>	<u>Accumulated</u>
2013	\$ 5.058731	3.78%	11.76%
2012	4.874624	3.91%	12.31%
2011	<u>4.691316</u>	<u>3.65%</u>	<u>12.12%</u>

**(c) Cash and cash equivalents-**

Cash and cash equivalents consist of cash in hand, local and foreign bank account balances and 24 and 48 hour foreign currency sales/purchases. The cash and cash equivalents are recognized at nominal value.

The foreign exchange acquired in purchase transactions 24 and 48 hours, are recognized as restricted cash (foreign currency to receive), while the currency sold is recorded as cash outflow (foreign currency to delivery). The rights and obligations for the sales and purchases foreign exchange at 24 and 48 hours are recorded in "Other accounts receivable, net" and "Sundry creditors and other accounts payables", whichever is applicable.

**(d) Margin accounts-**

The required margin accounts in cash to the Brokerage Firm to operate derivatives on recognized exchanges or markets are recognized at their par value and are presented under the caption "Margin accounts." The value of the margin account granted in cash is modified by margin calls or withdrawals made by the clearinghouse and for additional contributions or withdrawals made by the Brokerage Firm.

Returns and commissions affecting the margin accounts, other than fluctuations in derivatives prices, are recognized in results of operations as accrued for the year under the caption "Interest income" and "Commissions and fee expenses", respectively. The partial or total amounts deposited or withdrawn by the clearing house owing to price fluctuations of derivatives are recognized in "Margin accounts".

(Continued)

**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

**(e) *Investment securities-***

Investment securities consist of equity shares, governmental securities, banking commercial paper and other debt securities quoted in recognized markets, which are classified using the categories mentioned below, based on the intention and ability of management on their holdings.

***Trading securities-***

Trading securities are those acquired with the intention of selling them to get, short-term gains arising from differences in prices resulting from its trading in the market. Securities at the time of acquisition are recognized 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, the 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 the purchase price and the sale price, this concept shall include the reclassification from the result of valuation that has been previously recognized in the income statement.

Interest earned from debt securities is determined under the effective interest method 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".

Valuation effects are recognized in the income statement under the caption "Valuation on securities at fair value" and purchase and sale results are presented under the captions of gain or loss on purchase and sale, as appropriate.

(Continued)

**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
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(Millions of Mexican pesos)

***Available-for-sale securities-***

Available-for-sale securities are those whose intention is not oriented to profit from differences in prices in the short term and the Brokerage firm 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 gain from valuation of available-for-sale securities", and which is adjusted by the effect of deferred taxes. The valuation effect is cancelled at the time of sale for its recognition in income under the captions gain or loss on purchase and sale of securities, whichever is applicable.

Interest earned is determined by the effective interest method and recognized in the income statement under the caption "Interest income".

Dividends on equity instruments are recognized in the income statement at the time when the right to receive payment thereof arises under the caption "Interest income".

***Impairment in the value of a security-***

When sufficient objective evidence exists that a security available for sale has been impaired as a result of one or more events that occurred subsequent to the initial recognition of security, the carrying amount of the security is reduced and the loss amount recognized in stockholders' equity is reclassified to income under the caption "Valuation gain (loss) on securities at fair value."

If, in a subsequent period, the fair value of the securities increases and this effect is related objectively to an event occurring after the date when the impairment was recognized in the income statement, the impairment is reversed in the year's results, except whether it is a net 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 deliverable, and are deducted from investment securities. The counter entry has been a settlement credit or debit in a clearing account, as applicable. Where the amount of securities deliverable exceeds the balance of own securities of the same type (governmental, banking, equity and other debt securities), this is reflected as a liability under the caption "Assigned securities to be settled".

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***Transfers between categories-***

The accounting criteria allow reclassifications of securities from trading to available for sale, only with the express authorization of the Commission.

***(f) Repurchase/resell agreements-***

At the trade date of the repurchase/resell agreement transaction, the Brokerage Firm acting as repurchase recognizes either the cash inflow or a debit clearing account, as well as an account payable, whereas when acting as repurchasee 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 results of operations for the year as earned, in accordance with the effective interest method. The interest is recognized under the caption "Interest income" or "Interest expense", as appropriate. The account receivable and the account payable, and the interest earned are reported in the financial statement caption "Debtors under repurchase/resell agreements" and "Creditors under repurchase/resell agreements", respectively.

The Brokerage Firm acting as repurchasee recognizes the received collateral in memorandum accounts under the caption "Collateral received by the entity", in accordance with accounting criterion B-6 "Assets in custody and under management". The Financial assets granted as collateral, acting the Brokerage firm as repurchaser are reclassified in the balance sheet under the caption "Investments securities", presented them as restricted.

Should the Brokerage Firm, acting as repurchasee sell or pledge the collateral, the transaction proceeds and an account payable are 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 repurchase agreement, at amortized cost. The account payable is offset with the account receivable, previously recognized in the operation in which the Brokerage Firm acting as repurchasee and the debit or credit balance is presented under the caption "Debtors on repurchase/resell agreements" or in "Collateral sold or pledged", as applicable.

Further the collateral received, sold or pledged is recognized in memorandum accounts under "Collaterals received and sold or pledged in guarantee by the entity", following the valuation guidelines of criterion B-6 "Assets in custody and under management."

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**(g) *Securities lending-***

At the trade date of securities lending transactions, the Brokerage Firm acting as lender reclassifies securities subject to lending as restricted in the balance sheet under the caption "Investments securities", while acting as borrower, securities are recognized in memorandum accounts under the caption "Collaterals received by the entity", according to the guidelines for valuation of criteria B-6 "Assets in custody and under management". The accrued premium amount acting the Brokerage firm as a lender or borrower, is recognized in the income statement, through the effective interest method over the term of the transaction, under the caption "interest income" or "Interest expense", respectively, against the caption "Securities lending" within asset or liability, as applicable.

The financial assets received as collateral, whereby the Brokerage Firm acts as a lender, are recognized in memorandum accounts following the guidelines for valuation criterion B-6 "Assets in custody and under management," while acting as borrower, the financial assets delivered as collateral are presented as restricted under the caption "Investment securities".

In the case that the Brokerage Firm, as lender, prior to the maturity of the securities lending transaction sells the collateral received or the transaction value as borrower, recognizes the inflow of funds from the sale for the obligation to return such collateral to the lender under the caption "Collateral sold or pledged", such obligation is initially measured at the agreed price and subsequently marked to market, the valuation effect is presented in the income statement under the caption "Valuation on securities a fair value".

The difference between the price received and the fair value of the security subject to the transaction or the collateral received, if any at the time of the sale, is presented under the captions of "Gain on purchase and sale of securities" or "Loss on purchase and sale of securities", as applicable.

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Regarding securities lending transactions wherein the financial assets granted as collateral or the value subject to the transaction, acting the Brokerage Firm as the borrower or lender, respectively, come from collateral received in other transactions, the control of such collaterals are recorded in memorandum accounts under “Collaterals received and sold or pledged in guarantee by the entity”, following the valuation guidelines of criterion B-6 “Assets in custody or under management.”

**(h) Derivatives-**

The Brokerage Firm enters into transactions with derivatives for trading purposes, which are recognized at fair value.

The valuation effect of derivatives for trading purposes is presented in the balance sheet and in the statement of income under the captions of “Derivatives” and “Valuation gain (loss) on securities at fair value”, respectively.

**(i) Other accounts receivable-**

Accounts receivable relating to identified debtors whose maturity is agreed at the beginning with a term over 90 calendar days are assessed by Brokerage Firm’s management to determine the estimated recovery value and, as required, to create the corresponding reserve. For the balances of other identified accounts receivable an allowance is recorded in the year’s results at 90 calendars days of initial registration or 60 calendar days if the amounts are not identified 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.

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**(j) *Settlement clearing accounts-***

Amounts receivable or payable from investment securities, repurchase/resale agreements, securities lending and/or derivatives which have expired but have not been settled, as well as the amounts receivable or payable for purchase or sale of foreign currencies which are not for immediate settlement or those with 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 caption "Accounts receivable, net" or "Other accounts payable", as appropriate.

**(k) *Premises, furniture and equipment-***

Premises, furniture and equipment are recorded at acquisition cost. Those assets acquired through December 31, 2007 were adjusted by using factors based on the UDI value as of that acquisition date, which recognition of the effects of inflation on the financial information was suspended in accordance with accounting standards. Property acquired in foreign currency is 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 useful lives estimated by the Brokerage Firm's management of the corresponding assets. Depreciable amount of property is determined by subtracting the residual value and, as applicable, the cumulative impairment losses from the acquisition cost. The Brokerage Firm periodically evaluates properties residual values to determine the depreciable amounts of such properties.

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The Brokerage Firm evaluates periodically the net book values of its premises, furniture and equipment to determine whether the carrying value exceeds the recoverable amount. The recoverable amount is the greater of the net selling price and value in use. If the net book values are excessive, the Brokerage Firm recognizes impairment as a charge to operations of the year in order to reduce them to their recoverable amount.

**(l) *Permanent investments in shares-***

The permanent investments are valued at acquisition cost given that the Brokerage Firm does not have control, joint control or significant influence. Dividends, if any, received from these investments are recognized in the statement of income under the caption "Other operating income", except if profits comes from periods previous to the acquisition, in which case they are deducted from the permanent investments.

**(m) *Other assets-***

This item includes primarily the contributions made to the self-regulatory reserve fund set up through the stock exchange members, the purpose of this is to support and contribute to the strengthening of the stock exchange market. The balance includes the contributions plus interest earned, which are recognized under the caption "Other operating income" on the statement of income.

The intangible assets related to internally developed software are included in this category, which cost incurred during the development stage is capitalized and amortized against the results of operations once the software is ready to operate, through the straight-line method over the estimated useful life as determined by the Brokerage Firm's management.

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.

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Furthermore, this caption also includes the projected net assets of the defined benefit plan that are recognized in accordance with the provisions of FRS D-3 "Employees' benefits" (see note 11).

**(n) *Income taxes and employee statutory profit sharing (ESPS)-***

Income taxes and ESPS payable for the year are determined in conformity current tax and legal provisions.

Tax incurred is presented in the balance sheet as a liability, when tax pre-payments made exceed that determined tax of period, the excess is recorded as account receivable.

Deferred income taxes and deferred ESPS are accounted for under the asset and liability method. Deferred income taxes and deferred 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 income taxes for operating loss carry forwards. Deferred ESPS and taxes 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 in the period enacted.

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

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

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**(ñ) Capital leases-**

The 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 value of the asset leased. The difference between the nominal value of minimum lease payments and the obligation mentioned above is recorded during the lease period in the income statement under the caption "Other operating income". The asset is depreciated in the same way as other assets held in property when it is certain that at the end of lease contract, ownership of the leased asset is transferred otherwise is depreciated during the term of the contract.

**(o) Employees' benefits-**

The Brokerage Firm has a defined contribution pension plan, where the amounts contributed are recognized in the statement of income under the caption "Administrative and promotion expenses" (see note 11).

In addition to defined contribution plan, there is a defined benefits plan in place that covers the benefits for retirement, the seniority premiums and the legal compensation to which employees are entitled in accordance with the Federal Labor Law, as well as 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 and 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 FRS 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.

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At the date of adoption of FRS D-3, items pending amortization and relating to past services are amortized over the lower of maximum of five years or the remaining average working life. Past services arising on a date subsequent to the coming into force of FRS 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 income.

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 income for the year.

The determination of the deferred ESPS is made using the asset and liability method of accounting as explained in note 2(n).

**(p) *Revenue recognition-***

Interest and premiums on investments in money market and repos are recognized in income on accrual basis.

The gain or loss on sale of trading securities is recognized in income when sold.

The fees for financial transactions (placement of paper or shares) for transaction with investment companies and revenue from custody services are recognized in the income statement as it accrues under the caption "Commission and fee income".

Revenues from financial advisory services are recognized on income on accrual basis, under the caption "Financial advisory income".

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**(q) Provisions-**

Based on management estimates, the Brokerage Firm 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.

**(r) Foreign currency transactions-**

Foreign currency transactions are initially recognized at the exchange rate prevailing on the date of execution and settlement, for financial statement presentation purposes, currencies other than dollars are translated into dollars at the exchange rates as established by the Commission, 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 closing date of the financial statements, foreign currency monetary assets and liabilities are translated at the year-end exchange rate, while foreign exchange gains or losses arising from foreign currency translation are recorded in the results of operations in the originating period.

**(s) Memorandum accounts-**

Memorandum accounts correspond mainly to transactions in custody or under management.

The amount of assets under custody and guarantee are presented under the caption "Customer securities in custody," according to the characteristics of the asset or transaction.

**Custody transactions-**

Customer's securities in custody are valued at fair value, representing the amount for which the Brokerage Firm is obligated to its customers against any future eventuality.

**Management transactions-**

The amount of the financing granted and / or received on repurchase/resale agreements that the Brokerage Firm undertakes for its customers is presented under the caption "Securities repurchase/resell agreements by customers".

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Securities lending conducted by the Brokerage Firm by customers is presented under the caption "Security loans by customers".

In the case of collateral that the Brokerage Firm receives or delivers behalf by customers, for repurchase/resell agreements operations, securities lending, derivatives or other collateral received or delivered, are presented under the caption "Collaterals received in guarantee by customers" and/or "Collaterals delivered in guarantee by customers" as appropriate.

The determination of the valuation of the estimated amount for the assets in management and operations on behalf of customers is made according to the operation carried out in accordance with the accounting criteria for brokerage firms.

The Brokerage Firm records transactions on behalf of customers, on the trade day and not on the settlement date.

**(t) Contingencies-**

Liabilities or important losses related to contingencies are recorded when it is probable that their effects will be materialized and there are reasonable elements for quantification. If there are no reasonable elements, disclosure is included qualitatively in the notes to the financial statements.

Revenues, earnings and assets are not recognized until the moment there is absolute certainty of its realization.

**(3) New accounting criteria**

The CINIF issued the following FRS and improvements to the available FRS beginning 1. January 2013 and had no material effect on the financial position of the Brokerage Firm.

- FRS B-12 "Offsetting of financial assets and financial liabilities"
- FRS C-14 "Transfer and disposal of financial assets"

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**Improvements to FRS 2013-**

- FRS C-5 “*Prepaid expenses*”
- Bulletin C-9 “Liabilities, provisions, contingent assets and liabilities and commitments”
- Bulletin C-12 “Financial instruments with characteristics of liabilities, equity or both”
- FRS D-4 “*Tax on profits*”
- Bulletin D-5 “*Leases*”

**Improvements to FRS 2012-**

In December 2011, the CINIF published a document called “Improvements to 2012 FRS”, which contains specific amendments to certain existing FRS, in effect as of January 1, 2012, and had no significant effects on the Brokerage Firm.

- FRS A-7 “*Presentation and disclosure*”
- Bulletin C-15 “*Impairment in value of long-lived assets and their disposition*”

**4) Foreign currency position-**

In compliance with the Central Bank regulations, the Brokerage Firm maintains balanced positions in foreign currencies. At December 31, 2013 and 2012, the maximum (short or long) position authorized by the Central Bank was \$194 and \$277, respectively, which is within the maximum limit established of 15% of the Brokerage Firm’s global capital, which is \$1,291 and \$1,845 in each year (see note 13e).

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**SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.**  
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(Millions of Mexican pesos, except exchange rate)

The foreign exchange position, expressed in dollars is as follows:

	<u>2013</u>	<u>2012</u>
Assets	\$ 7	8
Liabilities	<u>(5)</u>	<u>(6)</u>
Long position	<u>2</u>	<u>2</u>
Equivalent in pesos	\$ <u>21</u>	<u>32</u>

At December 31, 2013 and 2012, the Brokerage Firm has a long position in foreign currency, which is integrated by 100% in dollars, which for financial statement presentation purposes was translated using the exchange rates of \$13.0843 and \$12.9658, respectively, and as of February 21, 2014, date of approval of these financial statements was \$ 13.2704.

**(5) Cash and cash equivalents-**

At December 31, 2013 and 2012, cash and cash equivalents are comprised as follow:

	<u>2013</u>	<u>2012</u>
Domestic banks	\$ 15	19
Deposits with foreign banks with maturities not exceeding 30 days	-	21
Other cash and cash equivalents	<u>43</u>	<u>15</u>
	\$ <u>58</u>	<u>55</u>

Foreign currency receivable and deliverable as of December 31, 2013 and 2012, arising from purchases and sales to be settled within 24 and 48 hours are related to dollar transactions.

At December 31, 2013, the foreign exchange purchase/sale gain and loss amounted to \$14 and (\$18), respectively, (\$20 and (\$19) in 2012, respectively).

At December 31, 2013, the Brokerage Firm maintained an asset balance for transactions with foreign currencies payable on a date subsequent to the agreed-upon date of \$1, which was recorded in clearing accounts within "Accounts receivable, net" and "Creditors pending settlement".

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**(6) Investment securities-**

(a) At December 31, 2013 and 2012, the fair values of investment in securities were as follow:

<b><u>Trading securities:</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Debt securities:		
Governmental securities	\$ 5,445	10,708
Bank promissory notes	1,100	2,398
Other debt securities	369	423
Equity shares	<u>626</u>	<u>757</u>
	<u>7,540</u>	<u>14,286</u>
<b><u>Available for sale:</u></b>		
Debt securities	142	138
Equity shares	<u>424</u>	<u>462</u>
	<u>566</u>	<u>600</u>
Total of investment securities	\$ <u>8,106</u>	<u>14,886</u>

(b) At December 31, 2013 and 2012, trading and available for sale securities are as follow:

<b><u>Trading securities:</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Trading securities unrestricted:		
Debt securities:		
Governmental securities:		
BI CETES	\$ 697	2,222
M BONDS	<u>17</u>	<u>217</u>
	<u>714</u>	<u>2,439</u>
Value date sales:		
BI CETES	(14)	(11)
M BONDS	(90)	(70)
S UDIBONDS	<u>(13)</u>	<u>-</u>
	<u>(117)</u>	<u>(81)</u>
Government securities unrestricted to the next page	\$ <u>597</u>	<u>2,358</u>

(Continued)

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	<u>2013</u>	<u>2012</u>
Governmental securities unrestricted from previous page	\$ <u>597</u>	<u>2,358</u>
Restricted trading securities:		
Governmental securities:		
Pledged Cetes in guarantee	253	233
<sup>(1)</sup> Repurchase/resell agreements:		
BPAS	1	-
BPAT	19	59
BI CETES	1,405	3,769
IPAS	-	433
LBON	1,338	1,928
UDIB	1	142
CBUR	141	89
MBON	1,403	-
BPAG	<u>160</u>	<u>46</u>
Restricted securities	<u>4,721</u>	<u>6,699</u>
Pending settlement purchases:		
M BONDS	112	5
BI CETES	<u>15</u>	<u>1,646</u>
	<u>127</u>	<u>1,651</u>
Restricted governmental securities	<u>4,848</u>	<u>8,350</u>
Total governmental securities	<u>5,445</u>	<u>10,708</u>
Banking securities:		
Unrestricted securities		
BANOBRA	398	792
BANCOMEXT	<u>3</u>	<u>3</u>
Banking securities unrestricted to the next page	\$ <u>401</u>	<u>795</u>

(1) See terms and conditions in note 7.

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(Millions of Mexican pesos)

	<u>2013</u>	<u>2012</u>
Banking securities unrestricted from previous page	\$ 401	795
Restricted securities		
Repurchase/resell agreements:		
PRLV	<u>699</u>	<u>1,603</u>
Total banking securities	<u>1,100</u>	<u>2,398</u>
Other debt securities:		
CBPC	100	30
CBUR	<u>269</u>	<u>393</u>
Total other debt securities	<u>369</u>	<u>423</u>
Equity share securities:		
Securities unrestricted:		
NAFTRAC	31	53
GMEXICO B	27	76
AMX L	3	102
SCOTIAG	80	211
FEMSA UBD	-	25
TLEVISA CPO	7	2
MEXCHEM	11	61
OTHERS SHARE SECURITIES	205	97
Pending settlement sales:		
NAFTRAC	(2)	(7)
GMEXICO B	(4)	(6)
OTHERS SHARE SECURITIES	(135)	(108)
FEMSA UBD	-	(1)
TLEVISA CPO	-	(1)
WALMEX V	<u>(1)</u>	<u>(7)</u>
Total equity share securities unrestricted, to the next page	\$ <u>222</u>	<u>497</u>

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	<u>2013</u>	<u>2012</u>
Total share securities unrestricted, from previous page	\$ <u>222</u>	<u>497</u>
Restricted equity share securities on security loans		
NAFTRAC	27	43
ALFA A	28	18
CEMEX CPO	2	3
ICA *	1	3
ICHB	4	10
PE&OLES	18	54
ALSEA *	3	3
URBI *	–	2
HOMEX *	–	2
GAP B	–	15
PBRN	1	1
VALE N	1	1
GMEXICO B	1	1
Other equity share securities	<u>138</u>	<u>–</u>
	<u>224</u>	<u>156</u>
Restricted equity share securities:		
AC *	–	2
NAFTRAC	–	2
SCOTIAG	<u>37</u>	<u>–</u>
	<u>37</u>	<u>4</u>
	<u>261</u>	<u>160</u>
Value date purchases:		
NAFTRAC	10	2
GMEXICO B	4	7
WALMEX V	1	7
ELEKTRA *	1	–
Other equity share securities	<u>127</u>	<u>84</u>
	<u>143</u>	<u>100</u>
Total restricted share securities	<u>404</u>	<u>260</u>
Total equity share securities	<u>626</u>	<u>757</u>
Total trading securities	\$ <u>7,540</u>	<u>14,286</u>

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**Available for sale securities**

	<b><u>2013</u></b>	<b><u>2012</u></b>
Available for sale securities (unrestricted):		
Debt securities – CBUR	\$ 142	138
Equity Shares – BOLSA	<u>424</u>	<u>462</u>
Total available for sale	\$ <u>566</u>	<u>600</u>

For the years ended as of December 31, 2013 and 2012, the Brokerage Firm maintained an asset (liability) balance for transactions with securities payable on a date subsequent to the trade date of \$259 (\$269), and \$195 (\$1,752), respectively which, as applicable, were recorded in clearing accounts under the caption “Accounts receivable, net” and “Creditors pending settlements”.

For the years ended December 31, 2013 and 2012, interest earned on securities amounted to \$486 and \$611, respectively.

For the years ended December 31, 2013 and 2012, net gains from interest income, as result of purchase/sell and gains on valuation of securities are detailed below:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Trading securities	\$ 481	735
Available for sale securities	<u>22</u>	<u>27</u>
	\$ <u>503</u>	<u>762</u>

As of December 31, 2013 and 2012, the unrealized gain or loss from valuation of available-for-sale securities recognized in captions of comprehensive income within stockholders’ equity amounted to (\$34) ((\$20) net of deferred income tax and deferred ESPS) and \$161 (\$96 net of deferred income tax and deferred ESPS), respectively.

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At December 31, 2013 and 2012, investments in debt securities other than governmental securities of the same issuer exceeding 5% of the Brokerage Firm's global capital are as follow:

<u>Issuer</u>	<u>Number of securities</u>	<u>Annual average rate</u>	<u>Average term (days)</u>	<u>Amount</u>
<b>December 31, 2013</b>				
BANOBRA	398,628,955	3.61%	87	\$ 398
TCM	2,188,225	<u>3.79%</u>	<u>1,513</u>	<u>142</u>
<b>December 31, 2012</b>				
BANOBRA	792,633,401	<u>4.54%</u>	<u>219</u>	\$ <u>792</u>

(7) **Securities on repurchase/resell agreements and securities lending-**

**Repurchase/resell agreements-**

At December 31, 2013 and 2012, the "Debtors on repurchase/resell agreements" and "Creditors on repurchase/resell agreements" balances in which the Brokerage Firm acts as repurchasee and repurchaser are analyzed as follow:

	<u>2013</u>	<u>2012</u>
Debtors under repurchase/resell agreements:		
BPAS	\$ -	120
CTIM	3,815	1,336
BPAG	7,867	2,286
BPA182	1,390	3,240
LBON	22,804	28,905
MBON	4,288	500
CBBN	809	610
CBUR	<u>-</u>	<u>151</u>
Total debtors on repurchase/resell agreements, to next page	\$ <u>40,973</u>	<u>37,148</u>

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	<u>2013</u>	<u>2012</u>
Total debtors on repurchase/resell agreements, from previous page	\$ <u>40,973</u>	<u>37,148</u>
Collaterals sold or pledged:		
BPAS	–	(119)
CTIM	(3,815)	(1,336)
BPAG	(7,867)	(2,287)
BPA 182	(1,390)	(3,233)
LBON	(22,804)	(28,910)
MBON	(4,288)	(500)
CBBN	(808)	(610)
CBUR	–	<u>(151)</u>
	<u>(40,972)</u>	<u>(37,146)</u>
Debtors on repurchase/resell agreements	\$ <u>1</u>	<u>2</u>
Creditors on repurchase/resell agreements:		
BPAT	\$ 19	59
CBPC	100	30
CBUR	410	482
CTIM	1,405	3,769
BPAS	1	–
BPA 182	19	433
LBON	1,338	1,929
MBON	1,403	–
PRLV	700	1,604
UDIB	1	143
BPAG	<u>141</u>	<u>46</u>
Creditors on repurchase/resell agreements	\$ <u>5,537</u>	<u>8,495</u>

At December 31, 2013, the terms of the repurchase/resell agreements range from 2 to 84 days and (3 to 91 days at 2012) with weighted annual rates of 3.61%, when acting as repurchase, and 3.40% when acting as repurchaser (4.51% and 4.24% at December, 31, 2012).

During the years ended December 31, 2013 and 2012, premiums collected amounted to \$1,374 and \$1,651 respectively; interest and premiums paid amounted to \$1,646 and \$2,011, respectively, and were reported on the income statement under the captions “Interest income” and “Interest expense”, respectively.

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At December 31, 2013 and 2012, the Brokerage Firm received governmental securities as a guarantee for repo transactions with maturities longer than three days, which is recorded in memorandum accounts and are analyzed as follows:

**2013:**

<b><u>Issuer</u></b>	<b><u>Series</u></b>	<b><u>Number of securities</u></b>	<b><u>Fair value</u></b>
Collateral received:			
BI Cetes	140626	4,213,835	\$ 41
BI Cetes	140821	4,530,526	44
IS Bpa 182	150917	187,556	<u>19</u>
	Total collateral received		\$ <u>104</u>

**2012:**

Collateral received:			
BI Cetes	130530	4,285,196	\$ 42
IS Bpa 182	180412	589,033	59
LD Bondes D	140320	595,660	59
LD Bondes D	190328	81,452	<u>8</u>
	Total collateral received		\$ <u>168</u>

**Securities lending:**

At December 31, 2013 and 2012, the Brokerage Firm held securities lending transactions as lender and borrower in which values object of the transactions were received and transferred.

The obligation to repay the lender values derived from the purchase of these securities are analyzed in next page:

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<b><u>2013</u></b>	<b><u>Number of securities</u></b>	<b><u>Fair value</u></b>
ALFA A	1,017,384	\$ 37
ICA *	50,000	1
ICH B	42,000	4
PE&OLES *	55,000	18
ALSEA *	79,200	3
PBR N	3,800	1
FCX *	2,880	1
VALE N	7,800	2
CHDRAUI B	250,438	11
GRUMA B	360,000	35
ALPEK A	19,000	1
BIMBO A	540,114	22
GFNORTE O	312,000	28
KIMBER A	294,800	11
LAB A	1,108,000	41
SIMEC B	40,000	2
TLEVISA CPO	139,180	<u>11</u>
		\$ <u>229</u>
<b><u>2012</u></b>		
AC *	27,477	\$ 3
ALFA A	675,000	18
CEMEX CPO	229,000	3
ICA *	90,000	3
ICH B	98,500	10
KOF L	9,000	2
PE&OLES *	82,331	54
ALSEA *	125,000	3
URBI *	224,000	2
HOMEX *	64,200	2
GAP B	205,000	15
NAFTRAC 02	1,132,300	49
PBR N	3,800	1
VALE N	5,400	1
WALMEX V	460,911	<u>20</u>
		\$ <u>186</u>

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At December 31, 2013 and 2012 the right to require the borrower securities derived from the sale of such securities, are analyzed as follows:

<u>2013</u>	<u>Number of securities</u>	<u>Fair value</u>
ALFA A	768,884	\$ 28
CEMEX CPO	168,160	2
ICA *	50,000	1
ICH B	42,000	4
PE&OLES *	54,941	18
ALSEA *	67,200	3
NAFTRAC	635,400	27
PBR N	3,800	1
FCX *	2,880	1
VALE N	7,800	1
GMEXICOB	14,600	1
ALPEK A	19,000	1
AMX L	2,000,000	30
BIMBO A	540,114	22
CHDRAUI B	124,846	6
GFNORTE O	58,300	5
GRUMA B	310,000	31
KIMBER A	70,300	3
LAB B	908,000	33
MEXCHE M	30,000	2
TLEVISA CPO	31,200	2
SIMEC B	40,000	<u>2</u>
		\$ <u>224</u>
<u>2012</u>		
ALFA A	675,000	\$ 18
CEMEX CPO	229,000	3
ICA *	90,000	3
ICH B	98,500	10
PE&OLES *	82,331	54
ALSEA *	125,000	3
URBI *	224,000	2
HOMEX *	64,200	2
GAP B	205,000	15
NAFTRAC 02	972,800	43
PBR N	3,800	1
VALE N	5,400	1
GMEXICO B	14,600	<u>1</u>
		\$ <u>156</u>

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The term range of securities lending transactions at December 31, 2013 and 2012, where the Brokerage Firm acts as a lender is 28 and 19 calendar days and acting as a borrower is 29 and 11 calendar days, respectively.

For the year ended December 31, 2013, premiums collected and paid in securities lending transactions amounted to \$8 and \$3, respectively (\$5 and \$2 in 2012, respectively), and are included in the statement of income under the captions “Interest income” and “Interest expense”, respectively.

As of December 31, 2013 and 2012, the Brokerage Firm received equity financial instruments as collaterals in securities lending transactions for \$229 and \$186, respectively. Such collaterals are managed in memorandum accounts (see note 15).

**(8) Derivatives-**

At December 31, 2013 and 2012, the fair values of the derivative financial instruments are analyzed as follow:

		<u>2013</u>		<u>2012</u>	
		<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Stock options *	\$	52	579	166	2,609
OTC options *		321	297	98	42
Index options *		<u>—</u>	<u>159</u>	<u>—</u>	<u>361</u>
	\$	<u>373</u>	<u>1,035</u>	<u>264</u>	<u>3,012</u>

\* Represents the market value of premiums.

Net losses on financial assets and liabilities related to derivatives for trading purposes, included in income for the years ended December 31, 2013 and 2012 amounted to (\$53) and (\$115), respectively.

For the years ended December 31, 2013 and 2012, the Brokerage Firm maintained an asset (liability) balance for transactions with derivatives payable on a date subsequent to the trade date of \$15 \$9, which were recorded in clearing accounts within “Accounts receivable, net” and “Creditors pending settlement”.

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**(9) Premises, furniture and equipment-**

At December 31, 2013 and 2012, the premises, furniture and equipment are analyzed as follow:

	<u>2013</u>	<u>2012</u>	<u>Annual depreciation rates</u>
Land	\$ 22	22	-
Office premises	153	153	2.5%
Transportation equipment	2	4	25% and 33%
Computer equipment	24	21	Various
Computer equipment on capital lease	14	14	20%
Office furniture and equipment	63	63	Various
Installation improvements	<u>9</u>	<u>13</u>	Various
	287	290	
Less accumulated depreciation	<u>(134)</u>	<u>(129)</u>	
	\$ <u>153</u>	<u>161</u>	

The amount recognized in the results of 2013 and 2012 from depreciation amounted to \$13 and \$12 respectively.

According to studies performed by the brokerage firm, residual value (excluding land) of the real estate at 31 December 2013 is minimal.

**(10) Permanent investments-**

At December 31, 2013 and 2012, the Brokerage Firm has permanent investments in Impulsora the Mexico Fund, S.A. de C.V. and Cebur, S.A. de C.V. for the amount of \$2 and \$1, which represents 3.65% and 2.97% respectively of the share capital of the entities.

For the years ended December 31, 2013 and 2012, the Brokerage Firm received dividends from Impulsora del Fondo México, S.A. de C.V. of \$1 in both years.

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**(11) Employees' benefits-**

The Brokerage Firm established a defined contribution pension and post-retirement benefits plan. This plan calls for pre-established contributions by the Brokerage Firm, which may be fully withdrawn by employees' upon retirement if aged at least 55 years or partially on employment termination in accordance with specific rules for vesting rights. Additionally, contributions are made of the employees, who will be entitled to withdraw those contributions upon employment termination.

For the years ended December 31, 2013 and 2012, the record to corresponding to the contributions of the brokerage firm by the defined contribution plan amounted to \$4 and \$6, respectively, under the caption "Administrative and promotion expenses" in the income statement.

The Brokerage Firm also has a defined benefit pension plan and post-retirement benefits covering those employees who elected not to change to the defined contribution plan. The benefits are based on years of service and the employees' compensation during the last year.

The cost, obligations and the defined benefit pension plan and seniority premiums, and life insurance are determined based on computations prepared by independent actuaries as of December 31, 2013 and 2012.

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The components of the net periodic cost and of the defined benefit obligations for the years ended December 31, 2013 and 2012 are shown below:

	<u>Pension plan</u>	<u>Medical expenses, food coupons and life insurance for retirees</u>
<b><u>2013</u></b>		
Present service cost	\$ 2	1
Financial cost	2	1
Expected return on plan assets	(3)	(1)
Amortizations of prior service:		
Plan modifications	5	-
Actuarial gain, net	<u>-</u>	<u>1</u>
Total cost	\$ <u>6</u>	<u>2</u>

The total cost for seniority premium amounts to \$235 (thousand pesos).

	<u>Pension plan</u>	<u>Medical expenses, food coupons and life insurance for retirees</u>
<b><u>2012</u></b>		
Present service cost	\$ 2	1
Financial cost	5	1
Expected return on plan assets	(6)	(2)
Amortizations of prior service:		
Plan modifications	4	-
Actuarial loss, net	<u>(1)</u>	<u>-</u>
Total cost	\$ <u>4</u>	<u>-</u>

The total cost for seniority premium amounts to \$712 (thousand pesos).

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Reconciliation between initial and final balances, as well as the detail of the present value of benefit obligations of pension, seniority premium, post-retirement medical benefits, food coupons and life insurance for retirees, as of December 31, 2013, is as follows:

		<u>Seniority premium</u>			
	<u>Pensions</u>	<u>Retirement</u>	<u>Severance</u>	<u>Total</u>	<u>Medical expenses, food coupons and life insurance for retirees</u>
Defined Benefit Obligations					
(DBO) as of December 31, 2012	\$ (40)	(2)	(1)	(3)	(10)
Current service cost	(2)	-	-	-	(1)
Financial cost	(2)	-	-	-	(1)
Current loss	(2)	-	-	-	4
Cost for past services	<u>38</u>	-	-	-	-
DBO as of December 31, 2013	(8)	(2)	(1)	(3)	(8)
Plan assets at fair value	<u>46</u>	<u>2</u>	<u>2</u>	<u>4</u>	<u>14</u>
Financial situation of the fund	38	-	1	1	6
Past services:					
Plan modifications	(12)	-	-	-	-
Cumulative actuarial gains (losses)	<u>(4)</u>	-	-	-	<u>1</u>
Projected net asset as of					
December 31, 2013 in "Other assets"					
in balance sheet	\$ <u>22</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>7</u>

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

		<u>Seniority premium</u>			
	<u>Pension plan</u>	<u>Retirement</u>	<u>Severance</u>	<u>Total</u>	<u>Medical expenses, food coupons and life insurance, for retirees</u>
Projected net asset as of					
December 31, 2012	\$ 22	-	1	1	7
Net periodic cost	(6)	-	-	-	(2)
Contributions to the fund during 2013	6	-	-	-	2
Cost for immediate recognition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net projected asset as of					
December 31, 2013 in "Other assets"					
in balance sheet	\$ <u>22</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>7</u>

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Below is a reconciliation of the opening and closing balances of the present value of benefit obligations of pensions, seniority premiums post-retirement, medical benefits, food coupons and life insurance for retirees, at December 31, 2012.

	<u>Pensions</u>	<u>Seniority premium</u>		<u>Total</u>	<u>Medical expenses, food coupons and life insurance for retirees</u>
		<u>Retirement</u>	<u>Severance</u>		
Defined Benefit Obligations					
(DBO) as of December 31, 2011	\$ (61)	(2)	(1)	(3)	(11)
Current service cost	(2)	-	-	-	(1)
Financial cost	(5)	-	-	-	(1)
Current loss	(15)	-	-	-	(4)
Transfer of obligations	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>
DBO as of December 31, 2012	(40)	(2)	(1)	(3)	(10)
Plan assets at fair value	<u>39</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>12</u>
Financial situation of the fund	(1)	(1)	1	-	2
Past services:					
Plan modifications	31	-	-	-	-
Cumulative actuarial gains (losses)	<u>(8)</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>5</u>
Projected net asset as of					
December 31, 2012 in "Other assets"	\$ <u>22</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>7</u>
in balance sheet					

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

	<u>Pension plan</u>	<u>Seniority premium</u>		<u>Total</u>	<u>Medical expenses, food coupons and life insurance, for retirees</u>
		<u>Retirement</u>	<u>Severance</u>		
Projected net asset as of					
December 31, 2011	\$ 22	-	2	2	7
Net periodic cost	(4)	-	-	-	(1)
Contributions to the fund during 2012	4	-	-	-	1
Cost for immediate recognition	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>
Net projected asset as of					
December 31, 2012 in "Other assets"	\$ <u>22</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>7</u>
in balance sheet					

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The acquired benefit obligations (ABO), at December 31, 2013 and 2012 are as follows:

	<u>Pensions</u>			<u>Seniority premiums</u>		
	<u>Retirement</u>	<u>Invalidity</u>	<u>Total</u>	<u>Retirement</u>	<u>Severance</u>	<u>Total</u>
<b><u>2013</u></b>						
ABO	\$ <u>(7)</u>	<u>=</u>	<u>(7)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>
<b><u>2012</u></b>						
ABO	\$ <u>(17)</u>	<u>=</u>	<u>(17)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>

An analysis of the movement of the plan assets held to meet the labor obligations for the years ended December 31, 2013 and 2012 is as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Fair value of the assets at beginning of year	\$ 55	90
Contributions to the fund during the year	8	5
Return on plan assets	4	9
Transfer of assets to Bank	<u>-</u>	<u>(49)</u>
Fair value of the assets at year end	<u>67</u>	<u>55</u>
Assets loss	\$ <u>(2)</u>	<u>-</u>

The expected yield of the plan assets for the years 2013 and 2012 is \$3 and \$8, respectively.

During 2014, the expected contributions to the fund to cover the labor obligations amount to \$1.

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Below is a detail on the present value of statutory severance compensation obligations at December 31, 2013 and 2012:

	<b><u>2013</u></b>	<b><u>2012</u></b>
ABO	\$ <u>(16)</u>	<u>(16)</u>
DBO at the beginning of the year	\$ (16)	(15)
Current service cost	1	(1)
Interest cost	1	(1)
Paid benefits	(4)	6
Actuarial gain	<u>2</u>	<u>(5)</u>
DBO at December 31 and net projected liability	\$ <u>(16)</u>	<u>(16)</u>

The net cost (income) for statutory severance for the years ended December 31, 2013 and 2012 amounted to \$4 and \$8, respectively. At December 31, 2013 and 2012 the provision for statutory severance amounted to \$16 in both years, recorded in “Sundry creditors and other accounts payable” in the balance sheet.

The nominal rates for the years ended 2013 and 2012, used in the actuarial projections are:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Return on plan assets	7.75%	8.00%
Discount rate	8.75%	8.00%
Rate of salaries increase	5.00%	5.00%
Increase of medical expense	6.50%	6.50%
Expected inflation rate	<u>4.00%</u>	<u>4.00%</u>

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The expected return rate on plan assets was determined using the expectation of long-term performance on asset of the portfolio of Brokerage Firm's funds.

The fund assets covering the obligations for pension, seniority premium, medical expenses, food coupons and post-retirement life insurance benefits are 60% invested in debt instruments and 40% in equity instruments, under a trust and managed by a committee designated by the Brokerage Firm.

The increase or decrease in the rate in medical expenses (6.50%) used in actuarial projections at December 31, 2013, is zero.

A summary of the amounts of labor benefits relating to DBO, plan assets, and the financial situation of plan and experience adjustments, for the years ended December 31, 2011, 2010 and 2009 is shown below:

	<b>Pensions</b>		
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
DBO	\$ (61)	(63)	(35)
Plan assets	<u>68</u>	<u>62</u>	<u>43</u>
Financial situation of the fund	\$ <u>7</u>	<u>(1)</u>	<u>8</u>
DBO (loss) gain	\$ <u>(21)</u>	<u>(18)</u>	<u>2</u>

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		<u>Seniority premiums</u>		
		<u>2011</u>	<u>2010</u>	<u>2009</u>
DBO	\$	(3)	(3)	(3)
Plan assets		<u>5</u>	<u>5</u>	<u>4</u>
Financial situation of the fund	\$	<u>2</u>	<u>2</u>	<u>1</u>
		<u>Medical expenses, food coupons and life insurance</u>		
		<u>2011</u>	<u>2010</u>	<u>2009</u>
DBO	\$	(11)	(18)	(11)
Plan assets		<u>17</u>	<u>15</u>	<u>13</u>
Financial situation of the fund	\$	<u>6</u>	<u>(3)</u>	<u>2</u>
Loss (gain) on assets	\$	<u>1</u>	<u>3</u>	<u>(3)</u>
		<u>Statutory severance</u>		
		<u>2011</u>	<u>2010</u>	<u>2009</u>
DBO	\$	<u>(15)</u>	<u>(15)</u>	<u>(19)</u>
DBO (loss) gain	\$	<u>(4)</u>	<u>6</u>	<u>—</u>

As of December 31, 2013, the amortization period of unrecognized items for defined benefits pension, seniority premium, post-retirement medical benefits, life insurance, food coupons of retirees and statutory severance are as follows:

	<u>Pension plan</u>	<u>Seniority premium</u>		<u>Medical expenses, food coupons and life insurance for retirees</u>	<u>Statutory severance</u>
		<u>Retirement</u>	<u>Termination</u>		
Plan improvements	10.13	N/A	N/A	N/A	N/A
Net actuarial loss	<u>11.90</u>	<u>10.97</u>	<u>1</u>	<u>14.68</u>	<u>1</u>

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**(12) Related-party transactions-**

In the normal course of operations, the Brokerage Firm carries out transactions with related parties such as loans, investments, service, etc., most of which originates income and expenses to another. According to the policies of the Brokerage Firm, all transactions with related parties are authorized by the Management Board and are negotiated at market rates, guarantees and overall standard sound practices.

The principal transactions with related parties for the years ended December 31, 2013 and 2012 are shown below:

	<u>2013</u>	<u>2012</u>
<b>Income:</b>		
Premium and interests	\$ 824	601
Rent and maintenance	8	8
Commissions	339	327
Financial intermediation	68	27
Financial advisory	<u>27</u>	<u>27</u>
<b>Expense:</b>		
Financial intermediation	\$ 55	-
Interest paid	2	1
Commissions	7	7
Premium and interests repos	327	617
Financial advisory	28	27
Fees	-	1
Rents and maintenance	<u>6</u>	<u>5</u>

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The amount receivable and payable with related parties at December 31, 2013 and 2012 parts, is as follows:

	<u>2013</u>	<u>2012</u>
<b><u>Receivables:</u></b>		
Cash and cash equivalents	\$ 17	19
Margin accounts	1	1
Debtors on repurchase/resell agreements	30,188	22,476
Derivatives	432	243
Accounts receivable	<u>29</u>	<u>97</u>
<b><u>Payable:</u></b>		
Bank and other borrowings	\$ 357	8
Creditors on repurchase/resell agreements	-	200
Collateral sold or pledged	8,861	10,354
Derivatives	416	202
Other accounts payable	<u>-</u>	<u>-</u>

For the years ended December 31, 2013 and 2012, there were no changes in the existing conditions of the amounts receivable and payable with related parties, nor were there items that are considered irrecoverable or doubtful accounts and was not necessary any reserve for losses on such transactions.

For the year ended December 31, 2012, the benefits granted to management amounted to \$8. For the year ended December 31, 2013 there was no payment to the management of the Brokerage.

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**(13) Stockholders' equity-**

The main characteristics of the stockholders' equity accounts are as follows:

**(a) Structure of capital stock-**

The Brokerage Firm capital stock at December 31, 2013 and 2012 is represented by 22,193 and 22,022 common shares, divided into two series: 22,190 and 22,019 series "F" shares and 3 series "B" shares, respectively, fully subscribed and paid. At 31, December 2013 and 2012 the capital stock's minimum fixed portion is represented by 11,205 shares in both years and whereas the variable portion is represented by 10,988 and 10,817 shares, respectively. The variable portion of capital stock may at no time exceed the fixed paid-in capital and may not be subject to withdrawal.

At December 31, 2013 and 2012, the minimum fixed capital stock is fully subscribed and paid and amounts to \$389 and \$386, respectively.

At all times, the minimum capital stock of the Brokerage Firm shall be equivalent to at least 30% of its global capital at each financial year's end, computed in accordance with the provisions issued by the Commission. In no event, shall the variable portion of capital stock be higher than the minimum capital.

On February 26, 2013, by unanimous resolution of Stockholders, was approved the increase in social capital, in the variable portion (with a charge to the profits of previous years) for a sum of \$3, through the issuance 171 shares of the "F" series, with a value of \$17,529.43 pesos per share.

At December 31, 2013, capital stock amounts to \$554; article 10 of the circular for Brokerage Firms provides that the capital stock shall amount to at least 30% of the global capital, which as of such date amounts to \$1,291.

**(b) Comprehensive income-**

The comprehensive income reported in the statement of changes in stockholders' equity represents the results of the Brokerage Firm's activities during the year and includes the net income as well as the valuation of the available for sale securities, net of deferred tax.

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**(c) Dividends declared-**

At December 31, 2013 and 2012, the brokerage firm decree and paid dividends as follows:

<u>Date of decree</u>	<u>Amount decreed</u>	<u>Payment date in 2013</u>	<u>Amount paid</u>	<u>Payment date in 2012</u>	<u>Amount</u>
13-nov-13	\$ 550	21-nov-13	\$ 550	–	\$ –
23-aug-13	81	30-aug-13	81	–	–
24-may-13	77	31-may-13	77	–	–
10-dec-12	200	–	–	17-dec-12	200
<u>12-oct-12</u>	<u>200</u>	<u>–</u>	<u>–</u>	<u>19- oct-12</u>	<u>200</u>
	\$ <u>1,108</u>		\$ <u>708</u>		\$ <u>400</u>

At December 31, 2013 and 2012, there are no pending dividend payments

**(d) Restrictions on stockholders' equity-**

The Commission requires that brokerage firms maintain a minimum capitalization percentage of risk-based assets, which is calculated according to the level of risk assigned.

Five percent of net income for the year must be appropriated to the 5% statutory reserve, until it reaches 20% of the paid-in capital.

Stockholder contributions and retained earnings are subject to income tax on the amounts refunded or distributed that exceed the amounts determined for tax purposes. As of December 31, 2013, the restated capital contribution account (CUCA) and the tax basis retained earnings account (CUFIN) amount to \$277 and \$1,965, respectively.

Retained earnings on permanent investments in shares may not be distributed to the Brokerage Firm's stockholders until dividends are collected, but may be capitalized if so agreed at a Stockholders' Meeting.

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*(f) Capitalization-*

The Commission requires brokerage firms to maintain a minimum capital as a percentage of assets at risk. The percentage is calculated by applying certain specific percentages according to the level of risk assigned, in conformity with the rules established by the Central Bank. The capitalization required by the Commission has been fulfilled by the brokerage firm. Information relating to the Brokerage Firm's capitalization are as follows (non-audited).

Capital as of December, 31:

	<u>2013</u>	<u>2012</u>
Global capital	\$ <u>1,291</u>	<u>1,845</u>
Market risk requirements	539	425
Credit risk requirements	103	126
Operational risk requirements	<u>72</u>	<u>71</u>
Total capitalization requirements	<u>714</u>	<u>622</u>
Global capital excess	\$ <u>577</u>	<u>1,223</u>
Rate of capital consumption	<u>55.32%</u>	<u>33.72%</u>
Global capital / capitalization requirements	<u>1.807</u>	<u>2.965</u>

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Assets at risk as of December 31, 2013:

	<b><u>Risk weighted assets</u></b>	<b><u>Capital requirement</u></b>
<b><u>Market risk:</u></b>		
Transactions in Mexican pesos at nominal interest rates	\$ 2,762	221
Transactions in Mexican pesos at premium nominal interest rates	183	15
Transactions in Mexican pesos at real interest rates or denominated in UDIS	3	-
Foreign currency transactions at nominal interest rates	-	-
Positions in UDIS or with returns updated with National Consumer Price Index (INPC Spanish abbreviation)	-	-
Foreign currency positions or with exchange rate updated returns	32	3
Equity positions or with returns updated to the price of a single share or group of shares	<u>3,755</u>	<u>300</u>
Total market risk	<u>6,735</u>	<u>539</u>
<b><u>Credit risk:</u></b>		
Derivatives	51	4
Debt instrument position	872	70
Loans and deposits	<u>363</u>	<u>29</u>
Total credit risk	<u>1,286</u>	<u>103</u>
<b><u>Operational risk:</u></b>		
Total operational risk	<u>905</u>	<u>72</u>
Total market, credit and operational risk	\$ <u>8,926</u>	<u>714</u>

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Assets at risk as of December 31, 2012:

	<b><u>Risk weighted assets</u></b>	<b><u>Capital requirement</u></b>
<b><u>Market risk:</u></b>		
Transactions in Mexican pesos at nominal interest rates	\$ 1,827	146
Transactions in Mexican pesos at premium nominal interest rates	289	23
Transactions in Mexican pesos at real interest rates or denominated in UDIS	132	11
Foreign currency transactions at nominal interest rates	-	-
Positions in UDIS or with returns updated with National Consumer Price Index (INPC)	1	-
Foreign currency positions or with exchange rate updated returns	49	4
Equity positions or with returns updated to the price of a single share or group of shares	<u>3,016</u>	<u>241</u>
Total market risk	<u>5,314</u>	<u>425</u>
<b><u>Credit risk:</u></b>		
Derivatives	41	3
Debt instrument position	1,130	90
Loans and deposits	<u>406</u>	<u>33</u>
Total credit risk	<u>1,577</u>	<u>126</u>
<b><u>Operational risk:</u></b>		
Total operational risk	<u>887</u>	<u>71</u>
Total market, credit and operational risk	\$ <u>7,778</u>	<u>622</u>

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The capital adequacy of the Brokerage Firm is evaluated on a monthly basis in accordance with the capitalization index that is presented to the Risk Committee and on a quarterly basis is monitored by the Board of Directors. Through this monitoring the Brokerage Firm identifies possible significant impacts in the capital, in order to avoid possible capital insufficiencies and thus to take the necessary steps to maintain a sufficient and adequate capital. The net capital structure from October to December 2013, decreased in October due to the fact it was declared a dividend payment for \$550; however, the capitalization levels are within the established parameters, both internally (65%) and legal limits (70%).

**(14) Income taxes and employee statutory profit sharing (ESPS)-**

In accordance with the current tax legislation until December 31, 2013, companies must pay the greater tax between IT and IETU. If it pays IETU, the payment is considered final and not subject to recovery in subsequent years. According to the current IT Law as of December 31, 2013, the IT rate for the fiscal years of 2013 and 2012 was 30% and established an IT rate of 29% for 2014 and 28% for 2015 onwards. The new IT Law, published of December 11, 2013, establishes an IT rate of 30% for 2014 and onwards. The IETU rate for the fiscal years of 2013 and 2012 was 17.5%. The IETU law was repealed beginning January 1, 2014.

The IT law applicable in 2013 established in its transitory sections that the current IT rate would be 29% in 2014 and 28% from 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.

On May 19, 2004, the Brokerage Firm obtained a favorable resolution of an injunction proceeding (proceeding for relief) and obtained protection from the federal law against articles 16 and 17 last paragraph of the IT Law in force in 2002. Accordingly, the Brokerage Firm computes ESPS considering the same bases used to determine IT, except for the deductibility of loss in warrants.

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IT and ESPS expense incurred and deferred for the years ended December 31, 2013 and 2012 is as follows:

		<u>2013</u>		<u>2012</u>	
		<u>IETU</u>	<u>ESPS</u>	<u>IT</u>	<u>ESPS</u>
Current taxes	\$	(47)	(12)	(93)	(30)
Cancelation of provision		20	3	7	-
Deferred taxes		<u>(21)</u>	<u>(8)</u>	<u>19</u>	<u>11</u>
	\$	<u>(48)</u>	<u>(17)</u>	<u>(67)</u>	<u>(19)</u>

The table below presents the analysis of the actual rate of the years ended December 31, 2013 and 2012:

		<u>IETU</u>		
		<u>Basis</u>	<u>Tax at 17.5%</u>	<u>Effective rate</u>
<b><u>December 31, 2013:</u></b>				
Income before income taxes	\$	230	(40)	(17.5%)
<i><u>Allocation to current tax:</u></i>				
Remuneration to employees		512	(90)	(39%)
Financial instruments, repurchase resell agreements & derivative net result		(95)	17	7%
Difference between book and tax depreciation		14	(3)	(1%)
Nondeductible expenses		7	(1)	-
Provisions		4	(1)	-
Warrants net effect		136	(24)	(10%)
Accounts receivable		(3)	1	-
Current and deferred ESPS provision		17	(3)	(1%)
Other deductions, net		(4)	1	-
Non-taxable income		<u>(67)</u>	<u>12</u>	<u>5%</u>
Current tax		<u>751</u>	<u>(131)</u>	<u>(56%)</u>
<i><u>Crediting of current tax:</u></i>				
Credit for wages		(454)	79	34%
Credit for social security contribution		<u>(29)</u>	<u>5</u>	<u>2%</u>
Sum		<u>(483)</u>	<u>84</u>	<u>36%</u>
Income tax	\$	<u>268</u>	<u>(47)</u>	<u>(20%)</u>

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		<b>ESPS</b>	
	<b>Basis</b>	<b>Tax at 10%</b>	<b>Effective rate</b>
<b><u>December 31, 2013:</u></b>			
Income before income taxes	\$ 230	(23)	(10%)
<i><u>Allocation to current tax:</u></i>			
Inflationary adjustment	(109)	11	5%
Financial instruments, repurchase resell agreements & derivative net result	(95)	9	4%
Difference between book and tax depreciation	7	(1)	-
Nondeductible expenses	5	-	-
Provisions	13	(1)	-
Warrants net effect	136	(14)	(6%)
Loses in shares	15	(1)	-
Deduction of ESPS paid in the year	(26)	3	1%
Current and deferred ESPS provision	17	(2)	(1%)
Non-taxable income	<u>(67)</u>	<u>7</u>	<u>3%</u>
Current tax	\$ <u>126</u>	<u>(12)</u>	<u>(4%)</u>

		<b>IT</b>		
	<b>Basis</b>	<b>Tax at 30%</b>	<b>Effective rate</b>	<b>ESPS at 10%</b>
<i><u>Allocation to deferred tax:</u></i>				
Valuation of trading securities	\$ 95	(29)	(12%)	(9)
Premises, furniture and equipment	(14)	4	2%	2
Deductible ESPS	18	(5)	(2%)	(4)
Warrants net effect	(2)	1	-	-
Expense accruals and others	<u>(27)</u>	<u>8</u>	<u>3%</u>	<u>3</u>
Deferred tax	\$ <u>70</u>	<u>(21)</u>	<u>(9%)</u>	<u>(8)</u>

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<u>December 31, 2012</u>	<u>Basis</u>	<u>IT Tax at 30%</u>	<u>Effective rate</u>	<u>ESPS at 10%</u>
Income before income taxes	\$ 488	(146)	(30%)	(49)
<i>Allocation to current tax:</i>				
Inflationary adjustment	(114)	34	7%	11
Financial instruments, repurchase resell agreements & derivative net result	58	(17)	(3%)	(6)
Difference between book and tax depreciation	2	(1)	-	-
Nondeductible expenses	10	(3)	-	(1)
Provisions	18	(5)	(1%)	(1)
Warrants net effect	(17)	5	1%	2
Deduction of ESPS paid in the year	(5)	1	-	-
Current and deferred ESPS provision	21	(6)	(1%)	(2)
Dividends on investment securities	1	-	-	-
Non-taxable income	<u>(150)</u>	<u>45</u>	<u>9%</u>	<u>16</u>
Current tax	<u>312</u>	<u>(93)</u>	<u>(18%)</u>	<u>(30)</u>
<i>Allocation to deferred tax: (tax at 30%)</i>				
Valuation of trading securities	(59)	18	4%	6
Premises, furniture and equipment	(1)	-	-	-
Deductible ESPS	(27)	8	2%	3
Warrants net effect	46	(14)	(3%)	-
Expense accruals and others	<u>(22)</u>	<u>7</u>	<u>-</u>	<u>2</u>
Deferred tax	<u>(63)</u>	<u>19</u>	<u>3%</u>	<u>11</u>
Income tax	\$ <u>249</u>	<u>(74)</u>	<u>(15%)</u>	<u>(19)</u>

*Deferred IT and ESPS:*

The temporary differences that give rise to deferred tax liabilities as of December 31, 2013 and 2012, respectively are detailed in the next page.

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	<u>2013</u>		<u>2012</u>	
	<u>IT</u>	<u>ESPS</u>	<u>IT</u>	<u>ESPS</u>
Prepayments	\$ (11)	(4)	(11)	(4)
Valuation of financial instruments and derivatives	(15)	(5)	13	4
Valuation of available for sale securities	(122)	(41)	(133)	(44)
Premises, furniture and equipment	(32)	(11)	(37)	(12)
Deductible ESPS	9	–	14	5
Losses on warrants	46	2	45	–
Loss on sale of equity shares	4	2	–	–
Provisions and others	<u>37</u>	<u>13</u>	<u>36</u>	<u>12</u>
	<u>(84)</u>	<u>(44)</u>	<u>(73)</u>	<u>(39)</u>
Deferred IT and ESPS in the balance sheet	\$	<u>(128)</u>		<u>(112)</u>

The effect in income for deferred IT and ESPS for the years ended December 31, 2013 and 2012, is comprised as follows:

	<u>2013</u>		<u>2012</u>	
	<u>IT</u>	<u>ESPS</u>	<u>IT</u>	<u>ESPS</u>
Deferred income tax in income statement:				
Valuation of financial instruments and related interest	\$ (28)	(9)	18	6
Premises, furniture and equipment	5	1	–	–
Deductible ESPS	(5)	(5)	8	3
Losses on warrants	1	2	(14)	–
Loss in sale of equity share	4	2	–	–
Provisions and others	<u>2</u>	<u>1</u>	<u>7</u>	<u>2</u>
	<u>(21)</u>	<u>(8)</u>	<u>19</u>	<u>11</u>
Deferred IT and ESPS in the statement of income	\$	<u>(29)</u>		<u>30</u>
Deferred tax in stockholders' equity:				
Valuation of available for sale securities	\$ <u>11</u>	<u>3</u>	<u>(49)</u>	<u>(16)</u>
Deferred IT and ESPS in the stockholders' equity	\$	<u>14</u>		<u>(65)</u>

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Other considerations:

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

Corporations carrying out transactions with related parties, whether domestic or foreign, are subject to certain limitations and requirements as to the determination of prices, since such prices must be equivalent to those that would be used in arm's-length transactions.

Tax environment:

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 IETU Law and the IT Law in effect as of December, 2013, were repealed and a new IT Law was enacted.

The most important aspects of the aforementioned tax reform of December 11, 2013, which are applicable, are as follows:

- 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 retained by entities that distributes such dividends. The new rule solely applies to dividends payment from earnings generated from January 1, 2014.
- A tax of 10% over the earnings obtained by individuals and residents abroad from the sale of shares listed on the stock exchange is established.
- The deductible amount of some employees' benefits expenses is limited for corporations, for example, the wage expenses which is exempted income for the worker, will be deductible for only 47% and in some cases until 53%.
- The Value Added Tax (VAT) is increased from 11% to 16% in the border region.

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**(15) Memorandum accounts-**

*Transactions on behalf of third parties-*

The funds managed by the Brokerage Firm for investing in various instruments on behalf of its customers are recorded in memorandum accounts. The resources from these operations at December 31, 2013 and 2012 are analyzed as follows:

<u>Securities held in custody:</u>	<u>2013</u>	<u>2012</u>
Mutual funds	\$ 48,044	33,876
Government securities	66,332	58,192
Shares and others	<u>164,449</u>	<u>127,131</u>
	\$ <u>278,825</u>	<u>219,199</u>

*Securities on repurchase/resell agreements by customers-*

At December 31, 2013 and 2012, the securities on repurchase/resell agreements by customers are analyzed as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Number of securities</u>	<u>Fair value</u>	<u>Number of securities</u>	<u>Fair value</u>
BG91	140,890,533	\$ 14,067	39,123,365	\$ 3,870
BPAG	18,149,176	1,809	7,518,790	752
BPAS	10,040	1	2,402,168	239
BPAT	190,000	19	587,151	59
CBBN	16,140,626	1,617	12,182,570	1,221
CBPC	1,001,610	100	300,000	30
CBUR	4,095,037	410	7,797,906	784
CTIM	922,399,007	9,035	653,476,670	6,441
IPAS	27,733,947	2,800	68,985,149	6,899
LBON	471,474,621	46,945	601,335,947	59,749
MBON	93,884,222	9,980	999,999,855	1,000
PRLV	701,355,290	699	1,606,547,222	1,603
UDIB	<u>1,765</u>	<u>1</u>	<u>260,362</u>	<u>142</u>
		\$ <u>87,483</u>		\$ <u>82,789</u>

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***Securities lending transactions by customers-***

At December 31, 2013 and 2012, the securities lending transactions by customers, are analyzed as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Number of securities</u>	<u>Fair value</u>	<u>Number of securities</u>	<u>Fair value</u>
GRUMA	310,000	\$ 31	–	\$ –
AMX	2,000,000	30	–	–
NAFTRAC	593,200	25	892,600	39
CEMEX CPO	168,160	3	229,000	3
GAP B	–	–	155,000	11
HOMEX *	–	–	64,200	2
ICH B	26,000	2	22,000	2
Other shares securities	<u>231,080</u>	<u>13</u>	<u>272,210</u>	<u>8</u>
		\$ <u>104</u>		\$ <u>65</u>

***Collaterals delivered in guarantee by customers-***

Collaterals delivered in guarantee by customers at fair value at December 31, 2013 and 2012, are analyzed as follows:

	<u>2013</u>	<u>2012</u>
Government securities	\$ 40,155	36,613
Banking securities	809	610
Fixed income debt securities	-	151
Shares and holding companies certificates	1,302	1,227
Mutual funds shares	416	194
Cash	109	168
Margin loans	<u>14</u>	<u>17</u>
	\$ <u>42,805</u>	<u>38,980</u>

Income earned on assets under custody during the years ended December 31, 2013 and 2012 amounted to \$53 and \$51, respectively.

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***Collaterals received in guarantee by customers-***

Collaterals represented by government debt securities, banking and private on behalf of customers in guarantee for the Brokerage Firm at December 31, 2013 and 2012, are analyzed below:

	<b>2013</b>		<b>2012</b>	
	<b>Number of securities</b>	<b>Fair value</b>	<b>Number of securities</b>	<b>Fair value</b>
Governmental:				
BPAS	10,040	\$ 1	1,202,168	\$ 120
BPAT	190,000	19	587,151	59
CBUR	1,414,802	141	-	-
CTIM	540,871,654	5,306	521,247,927	5,147
BPA 182	14,148,089	1,428	37,233,582	3,725
LBON	242,475,431	24,134	311,083,947	30,906
MBON	53,023,470	5,691	4,573,224	500
UDIB	1,765	1	260,362	142
BPAG	80,226,687	<u>8,007</u>	23,550,992	<u>2,334</u>
		<u>44,728</u>		<u>42,933</u>
Banking:				
CBBN	8,070,313	808	6,091,285	610
CBPC	1,001,610	100	300,000	30
PRLV	601,355,290	<u>600</u>	-	<u>-</u>
		<u>1,508</u>		<u>640</u>
Private:				
CBUR	2,680,235	269	6,297,906	633
PRLV	<u>100,000,000</u>	<u>100</u>	<u>1,606,547,222</u>	<u>1,603</u>
		<u>369</u>		<u>2,236</u>
		\$ <u>46,605</u>		\$ <u>45,809</u>

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***Collaterals received and sold or pledged in guarantee by the entity-***

Collateral represented by governmental debt securities received and sold or delivered in guarantee by the Brokerage Firm at December 31, 2013 and 2012, are analyzed as follows:

	2013		2012	
	Number of securities	Fair value	Number of securities	Fair value
Governmental:				
BPAS	-	\$ -	1,200,000	\$ 119
CTIM	390,271,714	3,814	136,513,939	1,336
BPA 182	13,773,414	1,390	32,340,600	3,233
LBON	228,999,190	22,796	290,929,112	28,911
MBON	40,860,752	4,289	4,573,224	500
BPAG	78,813,022	<u>7,866</u>	23,091,233	<u>2,288</u>
		<u>40,155</u>		<u>36,387</u>
Banking:				
CBBN	8,070,313	<u>809</u>	6,091,285	<u>610</u>
Private:				
CBUR	-	<u>-</u>	1,500,000	<u>151</u>
Equity instruments:				
ALFA	1,017,384	37	675,000	18
PEÑOLES	55,000	18	82,331	54
GAP	-	-	205,000	15
NAFTRAC	-	-	1,132,300	50
WALMEX	-	-	460,911	19
LAB A	1,108,000	41	-	-
GRUMA B	360,000	35	-	-
GFNORTE O	312,000	28	-	-
Other securities:				
EQUITY SHARES	1,469,212	<u>70</u>	880,787	<u>30</u>
		<u>229</u>		<u>186</u>
		\$ <u>41,193</u>		\$ <u>37,334</u>

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**(16) Commitments and contingencies-**

**(a) *Trials, contingencies and litigation-***

In the normal course of operations, the Brokerage Firm has been into some trials, which are not expected to have an important negative effect in its financial situation or in its future operating results. In those cases that represent an expected loss, the necessary reserves have been created.

**(b) *Leases-***

Leases take into account rent adjustments periodically, which are based on changes of a variety of economic factors. The total payments under this item for the years ended on December 31, 2013 and 2012 amounted to \$10 and \$9, respectively, corresponding to a related party for \$5 and \$4, respectively.

**(17) Additional information on operations and segments-**

**(a) *Segment information-***

The Brokerage Firm operates in different segments such as capital markets, money markets, mutual funds, investment banking and securities portfolio. Segment data (non-audited) on statement of income for the years ended December 31, 2013 and 2012 are show as follows:

<u>2013</u>	<u>Capital market</u>	<u>Money market</u>	<u>Investments companies</u>	<u>Investment banking</u>	<u>Securities portfolio</u>	<u>Other income</u>	<u>Total</u>
Income	192	81	308	85	85	232	983
Expenses	<u>147</u>	<u>62</u>	<u>236</u>	<u>65</u>	<u>65</u>	<u>178</u>	<u>753</u>
Income before income taxes	45	19	72	20	20	54	230
Current Income tax	(5)	(2)	(9)	(2)	(2)	(7)	(27)
Deferred income tax	<u>(4)</u>	<u>(2)</u>	<u>(6)</u>	<u>(2)</u>	<u>(2)</u>	<u>(5)</u>	<u>(21)</u>
Net profit	<u>36</u>	<u>15</u>	<u>57</u>	<u>16</u>	<u>16</u>	<u>42</u>	<u>182</u>

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<u>2012</u>	<u>Capital market</u>	<u>Money market</u>	<u>Investment companies</u>	<u>Investemnt banking</u>	<u>Securities portfolio</u>	<u>Other income</u>	<u>Total</u>
Income	169	112	303	86	158	407	1,235
Expenses	<u>102</u>	<u>68</u>	<u>183</u>	<u>52</u>	<u>96</u>	<u>246</u>	<u>747</u>
Income before income taxes	67	44	120	34	62	161	488
Current Income tax	(12)	(8)	(21)	(6)	(11)	(28)	(86)
Deferred income tax	<u>3</u>	<u>2</u>	<u>5</u>	<u>1</u>	<u>2</u>	<u>6</u>	<u>19</u>
Net profit	<u>58</u>	<u>38</u>	<u>104</u>	<u>29</u>	<u>53</u>	<u>139</u>	<u>421</u>

**(b) Financial ratios-**

Following are the financial ratios of the Brokerage Firm for fourth quarter ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Creditworthiness ( <i>total assets / total liabilities</i> )	1.18	1.14
Liquidity ( <i>liquid assets/liquid liabilities</i> )	1.16	1.13
Leverage (total liabilities-liquidation of the entity (creditor) / stockholders' equity)	5.39	6.23
ROE ( <i>annualized net income for the quarter/ average stockholders' equity</i> )	(6.12)%	23.83%
ROA ( <i>annualized net income for the quarter / average total assets</i> )	(0.80)%	3.32%
Capital requirement / Global capital	55.32%	33.72%
Financial margin / Total operating income	6.16%	30.93%
Net income / Total operating income	(9.72)%	49.91%
Total operating income / Administrative expenses	91.14%	199.62%
Administrative expenses / Total operating income	109.72%	50.09%
Net income / Administrative expenses	(13.20)%	96.62%
Personnel expenses / Total operating income	79.28%	56.33%

*Notes*

- *The indicators related to results correspond to annualized quarterly nominal cash flows.*
- *The Solvency, Liquidity and Leverage indicators are stated in number of times.*

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**(18) Comprehensive risk management (non-audited)-**

The comprehensive risk management process is intended to identify and measure risks, follow up on their impact on the operations, and control risk effects on profits and the value of capital, by applying the most suitable risk mitigation strategies and incorporating the risk culture in daily transactions.

According to the General Provisions applicable to Brokerage Firms in terms of risk management issued by the Commission, the Board of Directors assumes responsibility over the Brokerage Firm 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. Such limit structures includes a global value-at-risk that relates to the Brokerage Firm stockholders' equity.

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.

**(a) Credit risk-**

Credit risk results from potential non-compliance by the issuer of a financial instrument or counterparty to a transaction, of any of the terms of the purchase/sale agreement or prospectus of any financial instrument.

The Brokerage Firm has implemented and adapted to Mexico's conditions, the CreditMetrics® methodology for measuring and controlling the credit risk of its various portfolio segments. The portfolios and segments to which the Credit Risk measurement methodology applies at the Brokerage Firm are money and derivatives market. This methodology allows estimating expected and unexpected losses from measures of the likelihood of occurrence of credit events (transition matrix), including the likelihood of default.

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The expected loss represents an average estimate of the impact of defaults over a 12-month period.

The unexpected loss is a measure of dispersion from the expected loss.

Additionally, stress testing assuming extreme conditions is performed both for the expected and the unexpected loss, which are presented and analyzed in the Risk Committee.

As of December 31, 2013 and 2012, the expected and the unexpected loss over the total portfolio of the Brokerage Firm, is as follows:

	<b>December <u>2013</u></b>	<b><u>Average</u></b>	<b>December <u>2012</u></b>
Expected loss	\$ 5.5	8.4	10.2
Unexpected loss	<u>6.5</u>	<u>10.1</u>	<u>12.1</u>

In order to understand the expected and unexpected loss as an example, the average expected loss during the fourth quarter of 2013 was \$8.4, which represents the amount that the Brokerage Firm is expected to loss (in average) during the next twelve months for items as non-compliance, given the characteristics of its counterparties. On the other hand, the unexpected loss was \$10.1 and represents the necessary economic capital to maintain solvent the Brokerage Firm in case of an adverse event of high magnitude that have a great impact in the positions of the counterparty.

As of December 31, 2013 and 2012, the total exposure of the investments instruments portfolio, is as follows:

<b><u>Exposure of the investments Instruments portfolio</u></b>	<b>December <u>2013</u></b>	<b><u>Average</u></b>	<b>December <u>2012</u></b>
Corporate	\$ 652	809	651
Banking	1,100	1,500	2,430
Governmental	5,306	7,707	10,587
Other*	<u>1,048</u>	<u>1,256</u>	<u>1,218</u>
	\$ <u>8,106</u>	<u>11,272</u>	<u>14,886</u>

\* Includes shares and investment funds.

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*Credit risk in the investments securities* – Following is a summary of the exposures as of December 31, 2013 and 2012, the credit quality and the concentration by credit risk of the investments securities:

<b>December 2013</b>		<b><u>Held-to- maturity</u></b>	<b><u>Available for sale</u></b>	<b><u>Trading</u></b>	<b><u>Total Risk</u></b>	<b><u>% Concentration</u></b>
mxAAA	\$	–	–	5,542	5,542	68%
mxAA		–	142	1,367	1,509	19%
mxA		–	–	7	7	0%
No rating		<u>–</u>	<u>424</u>	<u>624</u>	<u>1,048</u>	<u>13%</u>
	\$	–	<u>566</u>	<u>7,540</u>	<u>8,106</u>	<u>100%</u>
Concentration		<u>–</u>	<u>7%</u>	<u>93%</u>	<u>100%</u>	
<b>December 2012</b>		<b><u>Held-to- maturity</u></b>	<b><u>Available for sale</u></b>	<b><u>Trading</u></b>	<b><u>Total Risk</u></b>	<b><u>% Concentration</u></b>
mxAAA	\$	–	–	10,886	10,886	73%
mxAA		–	138	213	351	2%
mxA		–	–	2,398	2,398	16%
No rating		<u>–</u>	<u>462</u>	<u>789</u>	<u>1,251</u>	<u>9%</u>
	\$	<u>–</u>	<u>600</u>	<u>14,286</u>	<u>14,886</u>	100%
Concentration		<u>–</u>	<u>4%</u>	<u>96%</u>	<u>100%</u>	

*Credit risk in the derivatives operations* – As of December 31, 2013 and 2012 the counterparty risk in operations with derivatives instruments is solely with financial institutions.

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**(b) Market risk-**

The purpose of the market risk management function is to identify, measure, monitor and control risks arising from fluctuations in risk factors as interest rates, prices in the share market and other money, capital and derivatives markets, in which the Brokerage Firm's own position is exposed. The risk positions include fixed and floating rate money market instruments, stock and derivatives such as: interest rate futures, stock futures and options and baskets of shares and index or stock options.

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 on a daily basis through the use of a system called "Riskwatch" for all the risk instruments and portfolios of the Brokerage Firm. The VaR is calculated using the historical simulation method, with a 300-working day time span. The Brokerage Firm's policy to calculate the VaR is to use as a reference a 99% as a confidence level and one day as holding period.

The global average VaR of one day in the Brokerage Firm during the fourth quarter of 2013 was \$12.63, which is equal to 0.98% of the global capital (\$1,291). The global VaR as of December 31, 2013 was \$15.25.

The disaggregated average VaR by risk factor during the fourth quarter of 2013 and 2012, is as follows:

<b><u>Risk factor</u></b>	<b><u>December 2013</u></b> <b><u>Average VaR 1 day</u></b>	<b><u>December 2012</u></b> <b><u>Average VaR 1 day</u></b>
Interest rates	9.77	2.80
Capital	<u>5.54</u>	<u>2.39</u>
Total not diversified	15.31	5.19
Diversification cash	<u>(2.68)</u>	<u>(1.29)</u>
Total	<u>12.63</u>	<u>3.90</u>

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The average VaR of the risk market exposition in the trading portfolios in the period from October to December 2013 and 2012, are the following:

	<u>Position</u>			<u>VaR</u>	
	<u>Average</u>	<u>Maximum</u>	<u>Limit</u>	<u>Average 1d</u>	<u>Limit</u>
<b><u>December 2013</u></b>					
Brokerage Firm	29,338	42,344	–	12.64	25.0
Money market	20,940	31,189	–	9.77	25.0
Equity shares position	24	47	200	0.46	13.0
Capital derivatives /1	8,232	10,924	25,000	5.25	–
Options OTC TIE	<u>141</u>	<u>184</u>	<u>5,000</u>	<u>–</u>	<u>–</u>
Total equity shares and derivatives IPC	<u>8,397</u>	<u>11,155</u>	<u>30,200</u>	<u>5.54</u>	<u>13.0</u>
	<u>Position</u>			<u>VaR</u>	
	<u>Average</u>	<u>Maximum</u>	<u>Limit</u>	<u>Average 1d</u>	<u>Limit</u>
<b><u>December 2012</u></b>					
Brokerage Firm	23,054	34,002	–	3.9	25.0
Money market	22,432	32,600	–	2.8	25.0
Equity shares position	17	43	200	0.22 <sup>4</sup>	13.0
Derivatives of IPC /2	479	1,061	2,880	–	–
Shares of derivatives /3	<u>127</u>	<u>298</u>	<u>1,000</u>	<u>–</u>	<u>–</u>
Total equity shares and derivatives IPC	<u>623</u>	<u>1,402</u>	<u>4,080</u>	<u>2.39</u> <sup>5</sup>	<u>13.0</u>

1/ Includes warrants with IPC underlying, IPC equity shares and internationals.

2/ Includes futures and options over IPC of the equity shares derivatives, the VaR is composed by equity shares derivatives portfolio and it is for hedging purposes of the warrants portfolio.

3/ Includes futures and options over IPC of the equity shares derivatives, the VaR is composed by equity shares derivatives portfolio and it is for hedging purposes of the warrants portfolio.

4/ The VaR corresponds solely the equity shares position.

5/ The Total Equity Shares VaR include the stock position and the equity shares derivatives.

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As an example, the average VaR of the quarter for the Brokerage Firm in the money and derivatives market was \$9.77, which means that under normal conditions and during a period of one-day holding, there is a 1% of possibility to loss more than that amount, taking into consideration that the behavior of the last 300 days of negotiation are representative to estimate the loss.

Even though the Brokerage Firm is authorized to operate listed future transactions in the Mexican Derivatives Markets (MexDer-Spanish acronym), for its trading portfolio, during the fourth quarter of 2013 and 2012, which did not represent any position. The current limits at the end of 2013 are as follows:

Scotia Brokerage Firm Mexder (figures in contract numbers)	Average position	Maximum position	Position limit
Trading futures			
TIIE28	-	-	500,000
CE91	-	-	40,000
Bond M <sup>/1</sup>	-	-	37,300
IPC <sup>/2</sup>	-	-	750
Hedging futures and options			
IPC <sup>/3</sup>	-	-	3,500
IPC shares <sup>/3</sup>	-	-	2,500
NAFTRACS <sup>/3</sup>	-	-	1,000

<sup>1/</sup> The futures Bonds M limit, includes 15,000 of futures of Bonds M20, 20,000 contracts of futures of Bonds M10, 300 futures Bonds M3 contracts, 500 futures M5 contracts and 1,500 contracts of M30.

<sup>2/</sup> Includes the contracts of the equity shares trading. The average VaR of 1 day of IPC Futures is 0.00 millions and also includes the Global Equity Shares VaR.

<sup>3/</sup> Includes futures and options of the equity shares derivatives, the VaR also includes the equity shares derivatives portfolio in order to hedge the warrants portfolio. Corresponds to a new approved limit in 2013 and it is in number of contracts.

During 2013, there was not IPC futures position with MexDer for the equity shares and the equity shares derivatives position. Only the equity shares derivatives area can operate transactions with the options over IPC futures of MexDer. During 2013 these transactions did not take place.

It is important to mention that the futures and options of the IPC future are primarily used to hedge the market risk of the options and warrants positions that are issued to the clients. The Brokerage Firm issued referred IPC warrants and a basket of shares for \$8,232, with a maximum of \$10,924. The hedging positions of the options and warrants as of December 31, 2013 and 2012, are as shown in the following page.

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<b><u>Hedging positions of options or warrants</u></b>	<b><u>Position 2013</u></b>	<b><u>Position 2012</u></b>
IPC futures	–	11
IPC OTC options	10	326
NAFTRACS	65	47
Options OTC basket of shares	39	77
Options OTC AMXL	37	104
Options OTC AAPL	46	4,369
Options OTC SPXIND	2,776	1,168
Options OTC GMEXICO	18	83
Options OTC WALMEX	162	96
Options OTC SX5C	1,234	–
Options OTC FXI	106	–
Options OTC CEMEX	42	61
Options OTC TIIE	101	–
Options OTC IBX	495	–
Options OTC EWZ	–	225
Options OTC TELEVISA	–	3
Options OTC MEXCHEM	–	37
Options OTC GDL	<u>–</u>	<u>562</u>

As of December 31, 2013 and 2012, the non-governmental debt investments of one issuer, higher than 5% of the Brokerage Firm's global capital (\$65), are the following:

2013					2012				
<u>Issuer / Issuance</u>	<u>Position</u>	<u>Securities</u>	<u>Average annual rate</u>	<u>Average time in days</u>	<u>Issuer / Issuance</u>	<u>Position</u>	<u>Securities</u>	<u>Average annual rate</u>	<u>Average time in days</u>
BANOBRAS	398				BANOBRAS	792			
BANOBRAS	398	398,628,955	3.62%	87	BANOBRAS	<u>792</u>	<u>792,633,401</u>	<u>4.54%</u>	<u>219</u>
TCM	142								
TCM 10	<u>142</u>	<u>2,188,225</u>	<u>3.79%</u>	<u>1,513</u>					

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Given that the VaR measure is used to estimate potential losses under normal market conditions, stress testing is performed on a daily basis, with the purpose to determine the 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. At December 31, 2013, the stress testing figure was \$412, which compared with the \$800 limit, is within the acceptable parameters. Scenarios used for stress testing are the 1994 and 1998 crises as well as hypothetical scenarios.

The back testing from October to December 2013 shows efficiency levels in green under the approach that is established by the International Payment Bank.

The limits structure mainly considers volumetric and notionals amounts, VaR, concentration, sensitivity and stress limits, among others.

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." ; los criterios adoptados son determinados con base en aspectos técnicos, estadísticos y en modelos de valuación autorizados por la Comisión.

***Sensitivities-***

***Qualitative information on sensitivities***

The Brokerage Firm 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 Brokerage Firm is exposed. During the quarter, 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.

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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.

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 basis point (0.01%) in the yield curve; and (ii) the expected change in the portfolio value in response to a change of 100 basis points (1%) in the yield curve. For purposes of this disclosure, we only report the changes in 1 basis point.

The estimated values 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 basis point change is made in each of the relevant points in the yield curve and one and one hundred basis points 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 basis point is reported.

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Stock portfolio and IPC derivatives

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.

Equities derivatives

Currently, the Brokerage Firm opted for carrying out 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.

For futures, the calculation of the sensitivity is the Delta, defined as the change of value of a derivative with respect to changes in the underlying.

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.

Delta risk is defined as the change in value of an option before a change of a predetermined magnitude in the value of the underlying (for example 1%). It is calculated by valuing the option with different underlying levels (one original and one with a +1% shock), holding all other parameters constant.

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 Brokerage Firm defines Rho as the change in the portfolio's value in response to a 100 basis points change (parallel) in the reference interest rates.

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Theta is the sensitivity measure of an options portfolio that indicates the change in the portfolio's value with the passage of time Theta is calculated solely for informative purposes and for gain/loss analyses being that it does not actually represents a market risk but a concrete, predictable and quantifiable event.

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.

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%).

***Quantitative information of sensitivities***

***Quantitative information of interest rate sensitivities***

The following table contains the sensitivity of 1 bp as of December 31, 2013 and 2012:

<i>Sensitivity 1bp</i>	<b><u>December 2012</u></b>	<b><u>December 2013</u></b>
Fixed rate	0.222	0.881
Revisable rate	<u>0.014</u>	<u>0.008</u>
Subtotal interest rates	<u>0.236</u>	<u>0.889</u>
Total	<u>0.236</u>	<u>0.889</u>

As of December 31, 2013, the Brokerage Firm presents an interest rate sensitivity of \$0.889, which indicates that for each basis point that the interest rate decreases, the Brokerage Firm would generate a loss of \$0.889. The position presented an increase compared to the last year.

In case to have the sensitivity scenario showed in the above table, this would impact the portfolio's result.

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The Brokerage Firm only considers the large positions in the money market, so that the sensitivity is positive, which means that to face an up movement of the bp, the money market position would lose an amount equal to the sensitivity. In case to be materialized the aforementioned sensitivity scenario, the losses would impact directly the Brokerage Firm's results.

Below is the statistical of the fourth quarter of 2013, taking into account the change in a bp: maximum, minimum and average. The average sensitivity was \$0.749.

	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Interest rates	\$ <u>0.749</u>	<u>1.740</u>	<u>0.076</u>

For comparison purposes, following is a sensitivity table as of December 31, 2013 and 2012:

	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Interest rates	\$ <u>0.200</u>	<u>0.495</u>	<u>(0.059)</u>

*Sensitivities of the shares and IPC derivatives portfolio*

Following is a sensitivity table as of December 31, 2013 and 2012:

	<u>December 2012</u>	<u>December 2013</u>
Shares	\$ 0.042	0.007
IPC futures	0.000	0.000
IPC options futures	0.000	0.000
Warrants	(0.022)	(0.009)
Subtotal	<u>(0.022)</u>	<u>(0.009)</u>
Total	\$ <u>0.020</u>	<u>(0.002)</u>

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During 2013, the portfolio of capitals continued with the strategy to make intraday transactions. Regarding the last year, a change from a large to a short sensitivity was recorded. The most relevant shares are Elektra\* and Gruma B. In case to be presented the aforementioned sensitivity scenario, the losses would impact directly the portfolio's results. As of December 31, 2013, the Brokerage Firm presents a sensitivity to IPC of zero, due to the fact the position is equal to zero.

With regard to the position over IPC, it would continue with a hedging strategy over the new warrants issuances and arbitrating between the capital portfolio and IPC futures.

The Brokerage Firm's capital portfolio is composed by shares and derivatives over the IPC. Following is the average of the fourth quarter, which amounted to \$0.229:

*Sensitivities 1% delta*

	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Shares	\$ 0.244	0.469	0.052
IPC derivatives	<u>(0.015)</u>	<u>0.014</u>	<u>(0.027)</u>
Total	\$ <u>0.229</u>	<u>0.483</u>	<u>0.025</u>

Following are the figures corresponding to the fourth quarter of 2012:

*Sensitivities 1% delta*

	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Shares	\$ 0.168	0.435	0.018
IPC derivatives	<u>(0.012)</u>	<u>0.089</u>	<u>(0.051)</u>
Total	\$ <u>0.156</u>	<u>0.524</u>	<u>(0.033)</u>

Following are the sensitivity measures for the non-linear instruments as of December 31, 2013.

*Sensitivities for warrants and IPC options, "Greeks"*

<u>Greeks</u>	<u>Delta</u>	<u>Gamma</u>	<u>Vega</u>	<u>Theta</u>	<u>Rho</u>
Warrants	\$ (287.835)	(45.082)	0.442	(0.151)	0.671
IPC options futures/ OTC options	238.589	25.123	(0.012)	0.123	(0.070)
IPC futures	-	-	-	-	-
Naftracs / shares	<u>64.815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>15.569</u>	<u>(19.959)</u>	<u>0.430</u>	<u>(0.028)</u>	<u>0.601</u>

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Based on the aforementioned definitions in the Equity Shares Derivatives Section, it is presented for illustrative purposes the interpretation of the Delta of one portfolio. As of December 31, 2013, the Brokerage Firm presents a Delta value of \$288, which indicates that face to an increase of 1% in the underlying price, the Brokerage Firm would generate an income of \$288.

Following is a table that contains the average, maximum and minimum of the warrants and IPC options sensitivities:

	<u>Delta</u>	<u>Gamma</u>	<u>Rho</u>	<u>Vega</u>
Minimum	1.311	0.511	(0.001)	0.219
Maximum	<u>57.766</u>	<u>27.996</u>	<u>0.006</u>	<u>0.830</u>
Average	<u>21.419</u>	<u>12.950</u>	<u>0.002</u>	<u>0.561</u>

**(c) Liquidity risk-**

The Brokerage Firm 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 Brokerage Firm will be able to meet the totality of its obligations as they become due and payable. To such end, the Brokerage Firm manages its exposure to the liquidity risk in accordance with the applicable regulatory provisions and the best market practices.

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 basis points (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.

The corresponding input to the Brokerage Firm in the estimated Economic Value and the estimated variation in the financial incomes of the Financial Group at the end of December and in average for the fourth quarter of 2013, is shown in the next page.

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	<b>December <u>2013</u></b>	<b><u>Average</u></b>
<b><u>Economic value</u></b>		
Financial Group	\$488	\$533
Bank	483	528
Brokerage Firm input	5	5
<b><u>Margin Sensitivity</u></b>		
Financial Group	296	299
Bank	285	286
Brokerage Firm input	11	13

As of December 31, 2013 and 2012, the valued position of available-for-sale securities of the Brokerage Firm amounts to \$566 and is composed as follows:

<b><u>Type</u></b>		<b>December <u>2013</u></b>	<b><u>Average</u></b>	<b>December <u>2012</u></b>
Corporate	\$	142	167	138
Government		-	-	-
Other <sup>(1)</sup>		<u>424</u>	<u>436</u>	<u>462</u>
Total		<u>566</u>	<u>603</u>	<u>600</u>

<sup>(1)</sup> The other category comprises instruments with no specific maturity date (shares, investment funds, etc).

The available-for-sale securities, to be an integral part of the balance sheet's manage, are monitored under the aforementioned sensitivity measures (economic value and margin sensitivity).

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

At the end of December and in average for the fourth quarter of 2013 and 2012, the liquid assets are as follows:

		<b>2013</b>		<b>2012</b>	
		<b><u>December</u></b>	<b><u>Average</u></b>	<b><u>December</u></b>	<b><u>Average</u></b>
Liquid assets	\$	<u>1,334</u>	<u>2,387</u>	<u>2,982</u>	<u>2,869</u>

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**(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 Brokerage Firm has put in place policies and procedures enabling it to implement an appropriate operational risk management process, which are described as follows:

*Policies for operational risk management*

These policies are intended to establish 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 Brokerage Firm.

*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.

*Operational risk tolerance levels*

This is an operational loss management tool that enables each of the Brokerage Firm'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 Brokerage Firm 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.

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*Estimate of legal risk losses model*

The Brokerage Firm 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.

The Brokerage Firm also has a structured methodology to evaluate the operational and control risks, which is applied to the whole structure and thus to identify the inherent operational risks of its daily activities, with the next objectives: (i) to assess the inherent risk, the operating effectiveness of the controls and the residual risk and also to establish mitigation actions over the identified risks.

For the year ended December 31, 2013, the Brokerage Firm recorded operational risk losses for \$31, \$30 more than the recorded in 2012 for (\$1).

**(e) Technological risk-**

The technological risk is defined as a potential loss from damage, interruption, disruption or failure from the use of hardware, software, systems, applications, networks and any other channel of transmission of information in the providing services to institutional clients.

In order to meet the requirements of regulation on technological risk, the Group has management policies technological risk. These policies describe the guidelines and methodology for assessing risk. Additionally, management systems have policies, procedures and systems that support compliance with the requirements in terms.

The technological risk methodology, which assesses vulnerabilities, considers the criticality of the information in terms of completeness, confidentiality, availability and continuity to identify the inherent risks 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.

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**(19) Recently issued financial reporting standards-**

The CINIF has issued the following FRS and FRS improvements:

**FRS C-3 “Accounts Receivable”-** FRS C-3 is effective for years beginning January 1, 2016, and is applicable retrospectively; however, early adoption is permitted. Some of the primary topics from the adoption of this FRS are as follows:

- FRS C-3 provides that accounts receivable based on a contract are deemed financial instruments. On the other hand, some other accounts receivable, resulting from legal or tax provisions, may include certain characteristics of a financial instrument, such as bearing interest, though these are not deemed financial instruments.
- FRS C-3 sets out that the allowance for doubtful trade receivables shall be recognized as revenue is earned. Thus, the allowance shall be recorded as expenses in the statement of comprehensive income.
- FRS C-3 provides that, from the initial recognition, the money value in time shall be considered. Therefore, should the effect of the present value of the account receivable be significant in view of its term, an adjustment must be made taking into consideration such present value.
- A reconciliation between the initial and final balances of the allowance for doubtful accounts is required for each period presented.

It is not expected that the entry into force of the aforementioned FRS takes effect in the Brokerage Firm’s financial statements, due to there are not standards to this respect

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**FRS C-11 “*Stockholders’ equity*”**- FRS C-11 is effective for years beginning January 1, 2014, and is applicable retrospectively. FRS C-11 supersedes Bulletin C-11 “*Stockholders’ equity*” and Circular 38 “*Temporary acquisition of treasury stock*” and Circular 40 “*Accounting treatment of stock issuance and placement costs*”. Some of the main aspects resulting from the adoption of this FRS are as follows:

- FRS C-11 requires that in order to capitalize the advances for future capital stock increases, at the stockholders’ or partners’ meeting it shall be agreed that such advances be applied for future capital stock increases and also, the price per share to be issued pursuant to such contributions shall be fixed. Furthermore, it shall be agreed that these contributions shall not be refunded before being capitalized.
- FRS C-11 broadly identifies financial instruments with characteristics of equity which would otherwise, be regarded as liabilities. However, the specific standard that classifies financial instruments as either equity or liabilities, within the same compound financial instrument, is FRS C-12 “*Financial instruments with characteristics of liabilities and equity*”.

The Commission has not rule don its adherence about this new standard.

**FRS C-12 “*Financial instruments with characteristics of liabilities and equity*”**- FRS C-12 is effective for years beginning January 1, 2014, and is applicable retrospectively. FRS C-12 supersedes Bulletin C-12 “*Financial instruments with characteristics of liabilities, equity or both*”, and the provisions regarding these instruments under Bulletin C-2 “*Financial instruments*”. Some of the main aspects resulting from the adoption of this FRS are as follows:

- This FRS sets forth that the primary characteristic to be met for a financial instrument to be classified as an equity instrument, is that its holder be exposed to the entity’s risk and rewards rather than the right to charge the entity a fixed amount.

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- By exception, if certain conditions apply and, provided there is no other obligation virtually assured to require payment to the holder, a redeemable instrument is classified as equity.
- The subordination concept is included.

The Commission has not rule don its adherence about this new standard.

**FRS C-20 “*Receivable financing instruments*”**- FRS C-20 shall be effective for years beginning January 1, 2016, and is applicable retrospectively. Early application is not permitted and FRS C-20 supersedes the provisions set forth in Bulletin C-3 in this regard. Some of the main aspects resulting from the adoption of this FRS are as shown below page.

- Classification of financial instruments under assets. To determine such classification, the concept that defines the intention to acquire and hold financial instruments has been ruled out. Instead, the concept of management business model is adopted, either for obtaining a contractual yield, generating a contractual yield and selling in order to achieve certain strategic objectives, or generating earnings from the purchase and sale thereof, in order to classify them in accordance with the respective model.
- The valuation effect of investments in financial instruments is also focused on the business model.
- The reclassification of financial instruments is not permitted among receivables, strategic investments, and negotiable instruments, unless the entity changes its business model.
- The embedded derivative that modifies the cash flows of principal and interest is not separated from its host receivable financial instrument. The entire receivable financial instrument shall be measured at fair value, as if it were a negotiable financial instrument.

The Commission has not rule don its adherence about this new standard.

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**2014 FRS Improvements**

In December 2013, CINIF issued the document referred to as “2014 FRS Improvements”, which contains precise modifications to some FRS. The modifications that bring about accounting changes are listed below:

**FRS C-5 “Prepayments”**- provides that amounts paid in foreign currency be recognized at the exchange rate in force as of the transaction date, and shall not be modified as a result of foreign exchange fluctuations between the functional currency and the foreign currency in which the prices of goods and services regarding such prepayments are denominated. Additionally, it provides that impairment losses arising from prepayments, as well as the reversal of such losses, shall be reported as part of the net income or loss for the period. These improvements are effective for years beginning January 1, 2014, and the resulting accounting changes shall be recognized retrospectively.

The Commission has not rule don its adherence about this new standard.

Management of the Brokerage Firm estimate that the new FRS and FRS improvements will not have important effects in its financial position.

**(20) Subsequent event-**

*Financial reform-*

On January 10, 2014 was published in the Official Gazette of the Federation, some modifications to various laws and decrees related to financial matters, known as “Financial Reform”. Such modifications are intended, among other things: i) promote development banks, ii) improve legal certainty of the private credit institutions and promote the increased credit supply to more competitive costs, iii) promote the competence between financial institutions, and iv) strengthen the regulatory framework. Such Financial Reform takes into account more vigilance attributes to the National Commission for the Protection and Defense of Users of Financial Services (CONDUSEF-Spanish abbreviation) in order to look after and regulate the financial products. The Bank is in process to assess the impact that this Financial Reform may have in its operations and in its financial performance, considering that the modifications to additional laws and specific rules are in process, which will be issued by the Banking Commission, the Central Bank and other institutions in this subject.