

ANNUAL REPORT

2015

**NACIONAL FINANCIERA
S.N.C.**



nacional financiera
Banca de Desarrollo

BOARD OF DIRECTORS AND COMMISSIONERS, AS OF DECEMBER 31, 2015

BOARD MEMBERS, SERIES "A"	
HOLDERS	DEPUTIES
<p>LUIS VIDEGARAY CASO Minister of Finance and Public Credit and Chairman of the Board</p>	<p>JOSÉ BERNARDO GONZÁLEZ ROSAS Head of Development Banking Unit Ministry of Finance and Public Credit</p>
<p>FERNANDO APORTELA RODRÍGUEZ Deputy Minister of Finance and Public Credit</p>	<p>ALBERTO TORRES GARCÍA Head of Public Credit Unit Ministry of Finance and Public Credit</p>
<p>ILDEFONSO GUAJARDO VILLARREAL Minister of Economy</p>	<p>ENRIQUE EDGARDO JACOB ROCHA President of Entrepreneur National Institute Ministry of Economy</p>
<p>PEDRO JOAQUÍN COLDWELL Ministry of Energy</p>	<p>CÉSAR EMILIANO HERNÁNDEZ OCHOA Deputy Minister of Electricity Ministry of Energy</p>
<p>JESÚS ALAN ELIZONDO FLORES General Director of Financial System Analysis Banco de México</p>	<p>RAÚL JOEL OROZCO LÓPEZ Director of Promotion Financial Intermediaries Banco de México</p>
<p>ENRIQUE CABRERO MENDOZA General Director National Council for Science and Technology</p>	<p>OSCAR ERNESTO VELA TREVIÑO Head of Insurance, Pension and Social Security Ministry of Finance and Public Credit</p>
BOARD MEMBERS, SERIES "B"	
HOLDERS	DEPUTIES
<p>GERARDO GUTIÉRREZ CANDIANI</p>	<p>LUIS FERNANDO ZÁRATE ROCHA</p>
<p>FRANCISCO JAVIER FUNTANET MANGE</p>	<p>RODRIGO ALPÍZAR VALLEJO National Chairman of National Chamber of Transformation Industry (CANACINTRA)</p>
<p>ENRIQUE SOLANA SENTÍES Chairman of the Confederation of National Chambers of Commerce, Service and Tourism (CONCANACO-SERVYTUR)</p>	<p>JUAN PABLO CASTAÑÓN CASTAÑÓN</p>

INDEPENDENT BOARD MEMBERS, SERIES “B”

THERE ARE ONLY INDEPENDENT HOLDER BOARD MEMBERS

CARLOS JOSÉ GARCÍA MORENO ELIZONDO
Financial Director América Móvil,
S.A.B. de C.V.

JOSÉ SALVADOR MARTÍNEZ CERVANTES
Independent Professional
Commissioners

COMISARIOS

HOLDERS

DEPUTIES

SERIES “A”

RODRIGO ALFONSO SÁNCHEZ MÚJICA
Public Proprietary Commissioner
Ministry of Public Administration

FIDEL RAMÍREZ ROSALES
Deputy Public Commissioner
Ministry of Public Administration

SERIES “B”

CARLOS AGUILAR VILLALOBOS
Managing Director
of the Office Aguilar Villalobos
y Asociados, Consultoría y Auditoría, S.C.

IGNACIO NÚÑEZ ANTA
Comptroller and Manager
of Grupo Financiero Anáhuac
Technical Secretariat for Board of Directors

SECRETARÍA DEL CONSEJO DIRECTIVO

LÁZARO JIMÉNEZ GARCÍA
Secretary of the Board of Directors

PERLA LILIANA DE LA PEÑA AMANTE
Deputy Secretary of the Board of Directors

OFFICER ATTENDING THE BOARD OF DIRECTORS SESSIONS, AS OF DECEMBER 31, 2015

JACQUES ROGOZINSKI SHTULMAN
Chief Executive Officer

REBECA ESTHER PIZANO NAVARRO
Vice President of Development Financing

RAÚL SOLÍS WOLFOWITZ
Vice President of Investment Banking

JUAN PABLO NEWMAN AGUILAR
Vice President Financial Resources

PEDRO A. ARGÜELLES RODRÍGUEZ MONCADA
Vice President of Credit

JOSÉ ELÍAS SAHAB JAIK
Vice President of Regional Promotion and Institutional Relations

TONATIUH SALINAS MUÑOZ
Vice President of Entrepreneur Banking

LUIS DANTÓN MARTÍNEZ CORRES
Vice President of Legal and Fiduciary Operations

FEDERICO BALLÍ GONZÁLEZ
Vice President of Administration and Finance

LUIS BARTOLINI ESPARZA
Head of the Internal Control Entity

ADRIANA COVARRUBIAS DEL PERAL
CEO's Technical Coordinator

LÁZARO JIMÉNEZ GARCÍA
Secretary of the Board of Directors

PERLA LILIANA DE LA PEÑA AMANTE
Deputy Secretary of the Board of Directors

CONTENTS

MESSAGE FROM THE CEO	13
ECONOMIC ENVIRONMENT	17
PROMOTION	27
Promotion Program	27
Credit and Guarantees to Private Sector Program	27
Productive Chains Program	27
Micro-loans Programs	28
Strengthening Distribution Channels	28
Sector-based Programs	29
Alternative Channels	34
Credit Guarantees Program	38
Portfolio Balances of Private Sector Credit	38
Regional Promotion Network	39
Credit for Young People	42
INVESTMENT BANKING	45
Guarantees on Securities Instruments	45
Structured Financing	45
Financial Advisory Services	46
Government Banking	47
Financing of Projects	47
Sustainable Projects	48

Investment Programs	52
Programs of Institutional Market of Corporate Alternative Debt	54
Entrepreneurial Development and Technical Assistance	54
INTERNATIONAL	57
Project Management	57
International Cooperation	61
Financial Agent	67
TREASURY AND MARKETS	71
Treasury	71
Markets	75
Investment Funds	76
LEGAL AND FIDUCIARY OPERATIONS	79
Corporate and Business	79
Governmental Regulations	81
Legal and Collecting Disputes and Credit Department	83
Fiduciary Operations	84
OPERATIONS SUPPORT	87
Quality Management and Organizational Culture	87

Human Capital Development	87
Corporate Governance	91
Internal Comptroller's Office	91
Internal Auditing	94
Computing	95
FINANCIAL RESULTS.	97
INTERNAL CONTROL ENTITY.	101
ANNEX A	
Nacional Financiera Important Figures	103
ANNEX B	
Report on Consolidated Financial Statements with Subsidiaries, as of December 31, 2015	107
ANNEX C	
National Advisory Councils Members	213
ANNEX D	
Directory of Regional and Overseas Offices	215



nacional financiera

nacional

nacional financiera

MESSAGE FROM THE CEO



2015 was a year of growth and consolidation in Nacional Financiera. The results achieved show it as an innovative and productive Institution, oriented towards economic development, a fundamental part of its mission.

Working for the benefit and development of a country entails permanent change and there is no unique recipe to accomplish it. Implementation of reforms starting from our own present is needed.

Therefore, the Republic's Government, after many decades, achieved several long term structural reforms, among them, the Financial Reform was essential to have in Mexico enough financing and competitive interest rates for national productive sectors.

The above implicated an additional effort for Nacional Financiera, because the Institution is one of the executive branches of the government's economic and social

policies and thus, its activities have always been ruled by the national policy.

Nacional Financiera actions also take in account the new conditions of a global world and at all times are meant to provide companies and entrepreneurs of the different productive sectors of the economy with credit, training, technical assistance and other instruments, which is the key function of a development bank.

In this context, Nacional Financiera made 2015 a year of great results. The credit portfolio balance for the private sector, our own and induced with Guarantees, posted a nominal growth of 12.5% compared to last year, reaching 319,183 million pesos as of December 2015. Thus, the current management (December 2012 to December 2015) has achieved a nominal growth of 50%, equivalent to a real variance of 36%.

With the different programs, during 2015, 534,270 beneficiaries received financing, including 176,979 companies and 357,291 micro credits, of which 99.8%

were micro, small and medium sized credits. Of the beneficiaries supported, 53% were first-time Nafinsa clients, which reflects the commitment of the Institution with the financial inclusion agenda.

To achieve these results, we developed multiple and innovative initiatives, of which I would like to highlight the following: our successful return to the international debt markets, after 18 years of absence, with the placement of a 500 million dollars Green Bond, which matures in 2020. We bring technical assistance and training programs to different geographic zones by means of mobile units. Moreover, we foster the inclusion of our country's young entrepreneurs to the financing services through the Credit for Young People Program.

In the same way, a highlight from 2015 are the actions of the Institution to retake the quintessential function of development banking to support the great financing projects, such as the participation in the financing of the first-tier project aligned to the Telecommunications Reform, by granting a syndicated loan for 1,400

million pesos for the development and strengthening of transmission networks, for the purpose of expanding Internet coverage throughout the country. In addition, we support the financing of the "Los Ramones, Phase II North" project within the framework of the Energy Reform. This project consists of a gas pipeline that passes through the states of Tamaulipas, Nuevo Leon and San Luis Potosi.

In Nafinsa we are well aware that development goes beyond credit, thus we are determined to foster training and technical assistance for a great number of companies. In this context, we organized in Mexico City the 9th Corporate Government International Conference, within the framework of the protocol on this subject coordinated by the Inter-American Investment Corporation (IIC) of the Inter-American Development Bank (IDB). 33 development banks from all the world assisted to this event, which enabled our Institution to exchange best practices, which we are transmitting through different workshops to an important number of companies in the country.

Likewise, we jointly organized with National Bank of Foreign Trade (Bancomext) the 45th Latin American Association of Development Financing Institutions (ALIDE) Congress, and we also hosted the 12th Annual Meeting of the Asia-Pacific Economic Cooperation (APEC) forum.

It is important to notice that the results achieved for the year were accomplished by maintaining a solid financial structure, based in the adequate management of expenses, the generation of greater income through different business segments and attention to the quality of the assets.

In this context, the Non-Performing Loan Portfolio Index at the close of 2015 reached 1.1%, the level of capitalization 13.57% and there was a net profit of 1,254 million pesos, in addition to the 700 million pesos delivered to the Ministry of Finance and Public Credit as benefit, which resulted in a profitability level over capital of 5.2%.

For 2016, Nacional Financiera will maintain its growth rhythm, pursuant to

its medium term Institutional Program, aligned to the great objectives set forth in the National Development Plan and within the framework of the Financial Reform.

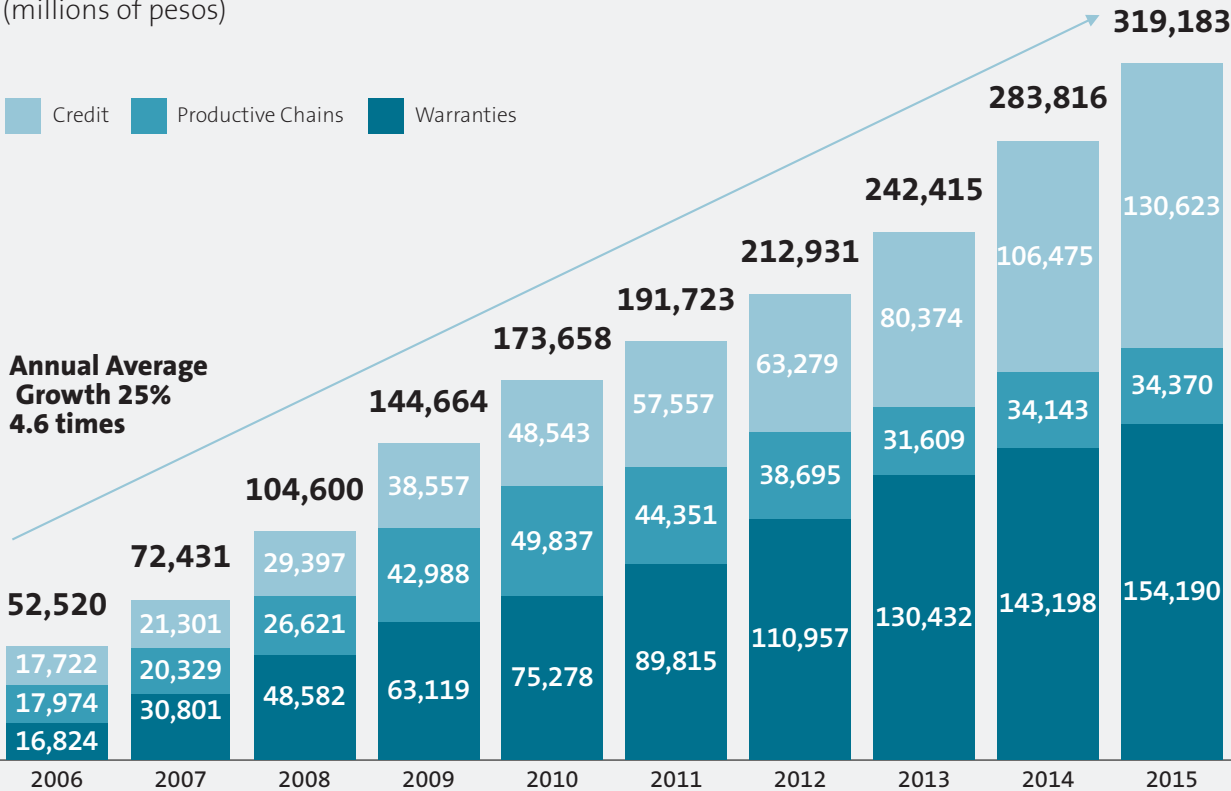
I would like to thank the Nacional Financiera employees for their work and commitment, as well as the Ministry of Finance and Public Credit authorities for their support towards the achievement of the results stated in this report.

Lastly, let me remind you what I have mentioned in other opportunities: I believe that human capital and well managed resources are essential to attain achievements and set goals, because they represent a tool to create opportunities and strengthen development capacities. The most important thing is to recognize that every goal reached is the result of the quality of the road travelled and represents, in turn, a mean to attain other goal.

Jacques Rogozinski S.
CEO

Development of direct credit portfolio balances driven to the private sector 2006-2015

(millions of pesos)



ECONOMIC ENVIRONMENT

In 2015, the growth of the world economy was reduced and it continued uneven. The differentiation in the growth rhythm of the Gross Domestic Product (GDP) was maintained among the advanced economies, which might have grown 1.9% overall, after they progressed 1.8% on the previous year, as well as among these and the emerging economies, whose progress rhythm would be 4.0% opposite 4.6% in the previous period, which began to intensify in the last part of 2014 as a consequence of the abrupt drop in oil international prices. In every case, the growth rates observed had results lower than the predicted ones.

This divergence in the economic cycle phases and progress rhythms has made the monetary policy measures adopted also divergent. While the Federal Reserve System (Fed) started the normalization process of its monetary policy on December, when increasing the target range for its reference rate in 25 base points (bp), the Bank of England

postponed another year its decision to increase rates, the European Central Bank (ECB) announced a liquidity injection program as Quantitative Easing (QE) type and the Bank of Japan kept its assets acquisition program. One of the most significant results of this situation has been the strengthening of the dollar at world level that for some currencies, specially emerging ones, has meant an important devaluation.

In the United States the internal demand was the growth engine, the private consumption progressed at a good rhythm during the year, while the private investment, although at lower rates, also kept rising despite the strong reduction in the expenditure of the oil companies; in 2015 the GDP would have grown 2.5%. The strength of the dollar and the poor external demand had a negative impact on the manufacturing sector when exports reduced. In November, for the first time since December 2009, the industrial production



had a contraction in terms of annual variation and ended 2015 with a drop of -1.8% in relation to December 2014. Nevertheless, the internal market dynamics supported the continuous improvement of the labor market therefore the unemployment rate ended in 5.0%, the lowest since 2007. Finally, the annual inflation measured by the Consumer Price Index (CPI) was 0.73%, slightly under the observed in 2014, 0.76%, while the underlying inflation reached 2.09%, the higher one for a complete year since 2011.

In the Eurozone, the measures adopted by the ECB seem to already have had a positive impact, even though the growth rhythm is still low, 1.5%, it improved in relation to the 0.9% recorded in 2014. Japan, on the other hand, after facing the recessionary effects of the increase to the consumption taxes in 2014 and with the drive of the monetary stimulus, would have passed from not growing in 2014 to a progress of 0.6% in 2015.

Definitely the emerging economies have been more affected by the drop of

raw materials' prices. The low growth in developed countries and the continuous slowing down of the Chinese economy reduced the primary consumable goods demand, especially for oil. China is going through a structural change process in order to balance its growth engines; part of that process is focused on the liberalization of its financial markets. Some execution errors have produced fears on the viability of its policies, which have been revealed in a high volatility of its markets with a negative impact towards international markets. It is worth mentioning that on August China made important adjustments to its exchange rate mechanism, and on November the yuan was integrated by the International Monetary Fund (IMF) to the basket of the Special Drawing Rights composed until then of the dollar, the euro, the yen and the pound sterling. China grew a 6.9% in 2015, the lowest rate in 25 years. Whole emerging Asia would have grown 6.6% when in 2015 it grew 6.8%.

The economies in Latin America considerably reduced their growth rates

and some of them began to show inflationary pressures due to the strong depreciations suffered by their currencies. In 2015 the entire region would have shown a contraction of -0.3% with Brazil dropping at -3.8%.

The oil price is a significant concern, although historically the drops in crude prices have had net positive effects on the world economy, the context under which the current drop is shown has generated a lot of pessimism, among other reasons due to: the high level of leverage of the oil companies, the high public deficit of the oil countries, the deflationary risk that the drop in the prices of fuels means faced with the already low inflation rates trendy around the world, but mostly in the developed economies which are the main crude consumers. The structural change in the market with the incorporation of shale fields producers, especially in the United States, as well as the changes in the energy demand led by the generation through alternative sources and vehicles with more efficient engines make foreseeable a gradual re-

covery of the price, but not a return to the levels above 100 dollars per barrel we observed barely a few years ago.

Mexican Economy

Our economy resented the negative effects of the external environment, especially during the first quarter facing the continuous drop of the oil prices and the break of the United States economy. The reduction of the expected oil income leads the economic authorities to cut down the public expenditures in order to prevent a deterioration of the tax indicators and help maintaining the macroeconomic stability of Mexico, fact that, undoubtedly, differentiates Mexico from other emerging economies.

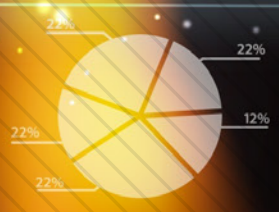
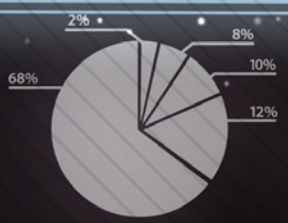
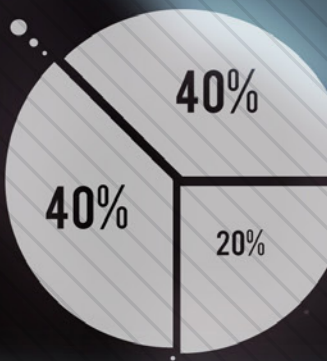
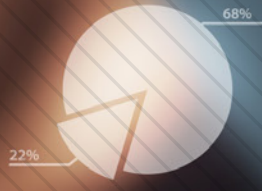
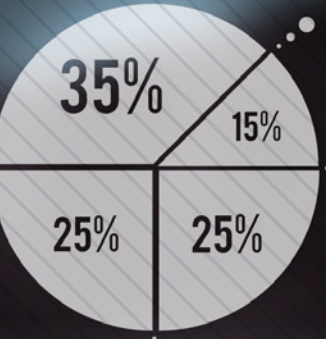
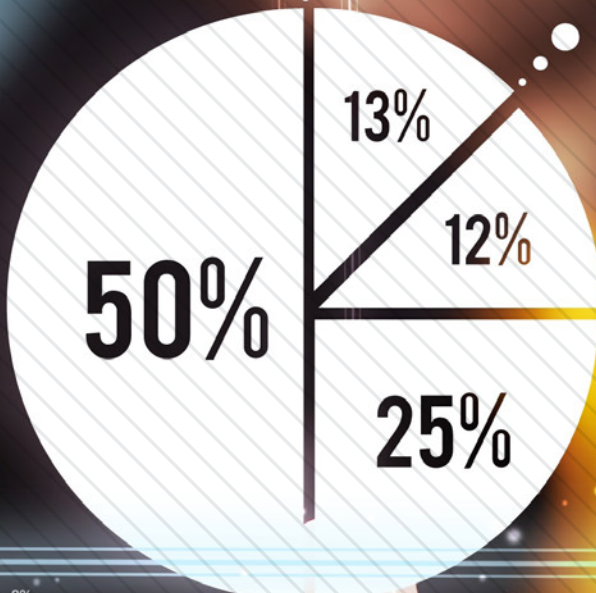
As of the second quarter incipient recovery signs were shown, especially in consumption, which seemed to indicate that growth could happen at a better rhythm, and it did, for the rest of the year private consumption became the economy engine. With data at the third quarter, this variable showed an average growth in 2015 of 2.89%, while in 2014 the progress

was only of 1.79%, additionally, with data up to November the retail sales showed an average progress in the year of 5.24%, when in 2014 they increased 2.68%.

Undoubtedly three factors worked in favor of the consumption growth: first, the increase of the actual salary, which according to the data of the salary reviews published by the Bank of Mexico (Banxico), averaged in 2015 1.51% and closed at 2.33%, while last year both figures were of 0.16% and -0.15%, respectively; second, the consumer credit granted by the commercial bank, that on November showed an annual growth of 7.7%, and it closed 2014 with an annual growth rate of 1.4%; and third, the international remittances, which on November accumulated a balance of 22,576 million dollars, a 5.4% annual increase, however more notable was the actual increase in Mexican pesos, 23.4% driven by the peso depreciation which took the amount of remittances to a historical accumulated level in the first eleven months of a year to over 355 billion Mexican pesos.

At the end of the year the inflation reached 2.13%, a historical minimum level since this indicator was first measured through the National Consumer Price Index (NCPI) in 1969. The elimination of the long distance rate, lower electrical rates, the absence of oil increases and the drop at the end of the year of the mobile telephony rates, as well as the dilution of the effect of the higher taxes on consumption applied in 2014 were decisive factors to lower price increases. The transfer of the exchange rate depreciation to the final consumption prices was still very low, restricting to durable goods and some semi-durable goods; the economy kept operating with a certain degree of comfort, which together with the reduction to electrical energy costs for the companies limited the capacity of the marketable goods producers and imported products marketers to transfer their higher costs to the consumer prices.

Under this context, the exchange rate at the close of December 2015 was at 17.25 pesos per dollar, equivalent to a



17% increase in relation to the exchange rate of December 2014.

Finally, after the Fed increased its reference rate, the Bank of Mexico did the same also increasing it at 25 bp to get it to 3.25%. According to the stated by the monetary authorities this decision was made to prevent an additional disorganized depreciation which may have negative effects on inflationary expectations and inflation itself.

Financial Markets

During the year the possibility that the Fed increased its reference rate during each of the meetings occurring kept the markets captive during 2015. The liquidity restructuring before the incipient reduction of circulating dollars as a consequence of a rise in the United States, as both dollars and yen increase around the world, was one of the dollar strengthening causes. But, also, the continuous reduction on oil prices, in moments with abrupt drops, as well as the drop of other raw materials translated in a generalized depreciation of currencies opposite to the dollar, in partic-

ular of the emerging countries' currencies.

During 2015 the crude prices dropped 30.5% the West Texas Intermediate (WTI) and 35.9% the Brent; the Mexican oil mix dropped 39.8%.

Regarding currencies, only to mention a few, the yen depreciated 0.37%, the pound sterling 5.40% and the euro 10.22%. Among the most important emerging ones, the Brazilian real dropped 32.9%; the Korean won 7.16%, the Polish zloty 9.67% and the ruble 16.25%. The Norwegian krone and the Canadian dollar, whose economies have a strong connection with oil dropped 15.73% and 16.03%, respectively.

The bonds of the United States Department of the Treasury showed volatility during the year; however, at the end of 2015 the shorter terms showed the most rise, in accordance with the expectation and later increase of the reference rate of the Fed. Thus, the yield of the two year term instruments increased 38 bp, while the 10-years ones increased 10 bp.

Under this uncertainty context the risk aversion increased, reflecting spe-

cially in capital outflows of emerging countries. In the case of Mexico, no sell-off was shown in the markets, but a significant reduction in the flows entrance, especially to the government fixed rate bonds market.

Money Market and Bonds

During 2015 there was a constant pressure of raise in interest rates by the Federal United States Reserve Open Market Committee, which on several occasions created uncertainty in the rates markets, being finally at the end of 2015 when this so expected decision showed with 25 bp.

The Bank of Mexico, which know these type of transactions, applied an equivalent magnitude increase, generating an already discounted transaction by the market at its time, having a downward rates adjustment in the middle and long part of the curve to close the largest bond in levels close to 7%.

With the low inflations showed at the middle and the end of 2015 we observed the real rate instruments showed a strong rising adjustment mainly in the

short part of the curve, where we observed adjustments of up to 180 bp.

Capital Markets

Year 2015 started with high volatility in the stock market in Mexico. Only during the first days, the Prices and Quotations Index (IPC, in Spanish) had adjusted almost -5.0% breaking its support of 41,000 units, due to the nervousness generated in the investors because of the difficulty the implementation of the structural reforms and the hard international environment would mean faced with the normalization of the monetary policy in the United States.

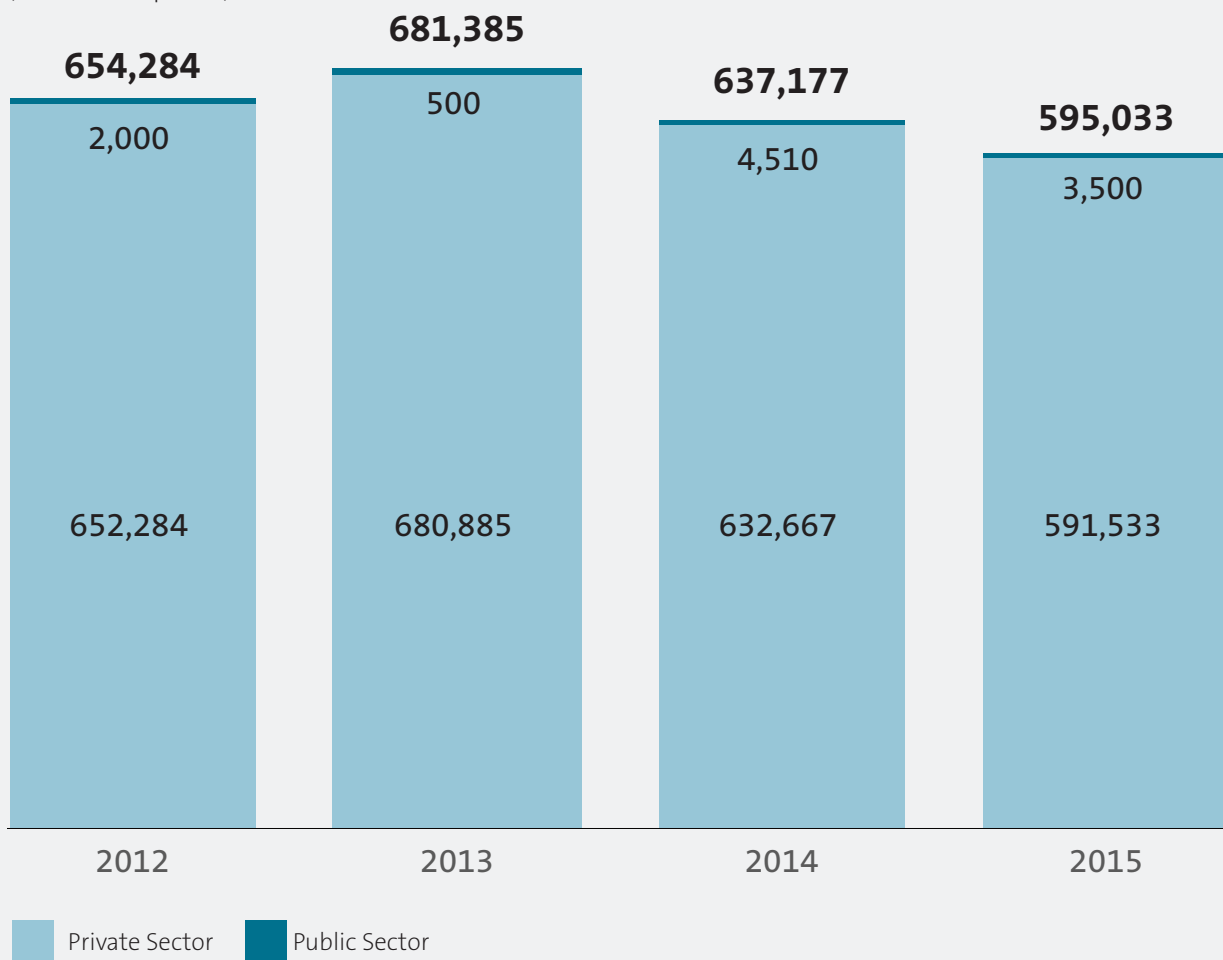
In the middle of August, the volatility suddenly increased again therefore a strong drop was observed which took the IPC to record intraday levels below the 39,300 units. The concern source was the Chinese economy which started to show sign of weakness and a stock market facing very significant exit flows. Towards the end of the year the slowing down of the Asian giant caused more drops in the raw materials prices, particularly in oil price. On the

other hand, on December the United States Federal Reserve finally decided to make a first increase in the interest rate, situation that contributed to a better appreciation of the dollar in relation to the rest of the world currencies.

Those elements influenced a complicated year close for the international stock markets, therefore the Prices and Quotations Index ended 2015 at 42,978 points, which meant a negative yield of -0.4% for the entire year.

Total financing

(Millions of pesos)



PROMOTION

Promotion Program

Nacional Financiera, through its different credit and guarantees programs, channeled resources in 2015 of 595,033 million pesos, of which 50.4% corresponded to Second-Tier loans, 45.4% to Guarantees and 4.2% to First-Tier and Public Sector.

Credit and Guarantees to Private Sector Program

With the variety of products offered by the institution through its Productive Chains, Traditional Discount, Micro-Business Financing and Equipment programs, as well as its Guarantees Scheme and the credit guaranteed, which had a total of 595,033 million pesos that were channeled to the private sector, assisting 534,270 beneficiaries, including 176,979 businesses and 357,291 micro-loans. Of the total beneficiaries, 99.8% were micro, small and medium-sized.

Through the Second-tier, the Productive Chains participated with a credit granting of 211,776 million pesos, Mi-

cro-Businesses and Equipment with 19,645 million pesos and the Traditional Discount with 68,611 million pesos.

Productive Chains Program

Of the 211,776 million pesos operated in Productive Chains, 88,345 million pesos, which represent 42% of the total, correspond to the resources impact destined to the suppliers of the public agencies and entities, within the Federal Government Purchases Program, created specifically to support small and medium-sized establishments (SMEs).

Within this program, Federal Government agencies and entities registered accounts payable to December 2015, in the amount of 367,168 million pesos, of which 24% was received in advance, thus assisting 6,647 suppliers that made use of advance receipt through financial factoring.

Promotion activity continued developing in order to register 46 new chains at the end of the second semester, 61

chains in the process of being implemented, and 132 in the promotion phase.

Regarding the sectors addressed in this Program, the main operation indicators are the following, in comparison to the same period in the previous year:

- The Industrial and Construction Sector registered a 247 million pesos operation decrease, equivalent to 1.4%.
- The Government Sector was the most affected registering a 12.1% decrease, equivalent to 12,174 million pesos.
- The State Governments Sector also registered a decrease as a result of the Government changes of 700 million pesos.

Other important actions initiated during 2015 were:

- Alliances were developed and discount campaigns were conducted with large First-Order Companies (EPO, in Spanish), in order to increase their publication and balance.
- Alliances were established with financial intermediaries for the granting of new lines.

- Nafinsa continued to offer EPOs the following products: Distributors and Selective Guarantee.
- Nafinsa continued to offer Productive Credit for Working Capital to suppliers of EPOs.
- The selective Guarantee goal was achieved with 3,990 million pesos, with the approval of the 53 authorized cases.

Micro-Loans Program

The definition of micro-loan includes several forms of loans to the lower income strata, especially to micro-businessmen (personal loans, housing loans and insurances).

From January through December 2015, 355,000 micro-businessmen were supported through the Micro-Loan Program, by which the balance of micro-loan increased to 3,804 million pesos.

Strengthening Distribution Channels

As of December 2015, the portfolio balance for Banking Financial Intermediaries (IFB, in Spanish) increased to 66,478 million pesos, equivalent to 115% of the goal for December 2014.

In 2015, there were 11 financial intermediaries operating in Con_Prend@, with lines of 1,295 million pesos and a balance of 860 million pesos; and there were 21 Financial Intermediaries operating in Líne@ Immediate Nafinsa, with credit lines of 32,910 million pesos and a balance of 21,828 million pesos. Also, others intermediaries are operating a different type of scheme, with lines of 475 million pesos and a balance of 364 million pesos. The remaining Financial Intermediaries (seven) are operating in other schemes such as the Basic Credit Line, Easy Discount and Discount on Paper programs, with credit lines of 665 million pesos and a balance of 608 million pesos.

On the other hand, at the end of December 2015, there were 36 intermediaries with a guarantees balance of 10,731 million pesos, derived from various Processes for Selecting SME Products: Education, Software, Automotive, Freight and Passenger Transportation, and Surety Companies. A total of 120 requests have been received from recently-created financial

intermediaries interested in becoming part of the Nafinsa network. A pre-analysis process has been conducted for 70 of those financial intermediaries, and four of them were incorporated, at the amount of 690 million pesos and seven prospects in process of file creation to become part for approximately 280 million pesos.

Sector-based Programs

Nacional Financiera has implemented programs to address the Micro, Small and Medium Establishments (MSMEs) in economic sectors or activities that, due to their characteristics, have dealt with limited access to financing through traditional schemes. The objective is to promote the growth and competitiveness of these establishments, as well as foster job creation and contribute to providing services to strategic and high-priority sectors.

With the aim of improved design and promotion, a classification system was established for these programs, comprised of six families or lines of action. The results from these sector-based programs corresponding to the period from

January to December 2015 were the following:

Supplier Development

- With the Program for Financing Contracts for Federal Government Suppliers assistance to suppliers was granted through liquidity for carrying out their contracts, granting 44 credits with 226 million pesos. Additionally, 33 credits of 200 million pesos were granted to Petroleos Mexicanos (Pemex) suppliers.
- With the Enterprise Suppliers Financing Program 36 credits of 97 million pesos were granted to small and medium establishments in the supply chain of companies that have a supplier's development program.
- Through the Program for Financing the Construction Sector, 1,255 loans were granted, for a total of 2,208 million pesos, to companies in this sector dedicated to developing commercial infrastructure.
- The Assistance Program for the Leather and Footwear Sector and its Supplier Chain granted a total of 281 million

pesos in credit, through 202 loans.

- The Assistance Program for the Textile, Clothing and Fashion Industry and its Productive Chain, whose objective is to grant financing to MSMEs associated to these industries. 71 credits with a total of 137 million pesos were granted.
- The Program for Financing Pemex's National Suppliers and Contractors is being redesigned due to structural changes of the industry, derived from the Energy Reform.

Modernization and Equipment

- The Program for Financing the Development and Modernization of Owner-Operated Vehicles (Man-Truck) has the following objectives: promote the replacement of federal transportation vehicles for freight, passengers and tourism; support national production through an increase in vehicle sales; and contribute to reducing CO2 emissions. Through this program, in 2015 seven credits were granted for six million pesos, the first loan in the amount of 1.2 million pesos.
-

-
-
- Through the Taxi Renewal Program, 295 loans were granted, for a total of 36 million pesos, for acquiring new taxis and replacing obsolete taxis in Mexico City. In addition, in the state of Aguascalientes, 204 loans were granted, for a total of 24 million pesos.

Inclusive Financing

- Through the Program for Financing University, 1,069 loans were granted, for a total of 173 million pesos, to support the professional and graduate students in 30 universities around the country.
- The Program for Financing Entrepreneurs assisted 52 new companies in beginning operations, with loans totaling 7.5 million pesos. These companies are from incubators in the Network accredited by the Entrepreneur National Institute (INADEM, in Spanish).
- Through the Program for Supporting Women Owning Micro-Businesses, 94,462 micro-loans were granted, for a total of 777 million pesos, to women owning micro-businesses, in order to promoting their active role in the socioeconomic development of their communities. This program ended on December 31.
- The Program for Supporting Women Owning Businesses was implemented, through which the first 23 financings were granted, for a total of 17.5 million pesos, to companies managed by women that have a valid document issued by the Women's National Institute.
- A program for financing businesses adhering or in the process of adhering to the Regime Fiscal Incorporation (RIF, in Spanish) continued operating, with the objective of motivating micro-businesses to become part of the formal sector, with the framework of the Growth Together strategy. In 2015, 173 credits with a total of 28 million pesos were granted. Financing is complemented with information and training.
- The program for Franchises Financing is being redesigned. Its objective is to offer a credit product through the

commercial bank to finance the start-up of franchised businesses, thus promoting the entrepreneurial culture, creating new businesses and jobs. In 2015, 27 credits with a total of 18 million pesos were granted.

- The Program for Financing Information Technology Companies extended 13 loans for a total of 27 million pesos, providing assistance to businesses of this type that lack access to credit under the methodologies from traditional analysis.
- In October 2015 the Program for Financing the Acquisition of Information and Communication Technologies was launched, which objective is to facilitate the access to financing so the MSMEs can purchase technological and advanced manufacture solutions to automate and make more efficient their business processes. The Program has an initial amount of 200 million pesos and the first loans will be registered in the first quarter of 2016.
- The Program for Third-Tier Operations is aimed at assisting Non-Banking Financial Intermediaries (IFNB, in Span-

ish) in gaining access to financing from commercial banks, which will in turn allow them to expand and enhance their financing to micro-businesses, and small and medium-sized establishments in the country, particularly those in the segment of the market currently under-served. Eleven lines of financing were granted for this purpose, in the amount of 28 million pesos.

- In February 2015 the Credit for Young People Program was announced, which is aimed to grant credit to young people between 18 and 30 years old that wish to start their business or to grow their existing one. 417 credits with a total of 171 million pesos were granted during the year.

Sustainable Financing

- The Entrepreneurial Eco Credit for Energy Efficiency Program assisted micro and small companies, through 5,057 loans for a total of 222 million pesos, for the acquisition and/or replacement of efficient equipment, aimed at generating savings in electricity.
-
-

Regional Development

- Programs for Advancing Strategic Sectors and Promoting Employment is operating in coordination with state governments, which objective is to assist high-priority economic activities and contribute to regional development and job creation:
 - In Aguascalientes 69 loans were granted for a total of 77 million pesos.
 - In the State of Mexico two loans were granted for a total of three million pesos.
 - In Sinaloa 60 loans were granted for a total of 73 million pesos.
 - In Tamaulipas 139 loans were granted for a total of 175 million pesos.
 - In Yucatan 16 loans were granted for a total of 24 million pesos.
 - In Oaxaca 657 loans were granted for a total of 844 million pesos.
 - In Puebla 66 loans were granted for a total of 97 million pesos.
 - In Zacatecas 73 loans were granted for a total of 96 million pesos.
 - In Chiapas 181 loans were granted

for a total of 268 million pesos.

- In Guerrero 103 loans were granted for a total of 180 million pesos.
- In Michoacán 121 loans were granted for a total of 166 million pesos.

Economic Reactivation

- The Assistance Program for Reactivating the Automotive Industry includes a financing scheme for car dealers (Plan Piso) and another that facilitates the granting of loans to persons purchasing new one (the latter operates under the modality of auctioning lines of guarantees). A total of five lines of credit were provided through the Plan Piso Program, in the amount of 48 million pesos, while the Car Consumer Auction (Subasta Automotriz Consumo) facilitated the granting of 5,510 auto loans, for a total of 873 million pesos. In 2015, in the light cargo segment 3,296 loans were granted, in the amount of 948 million pesos and in the subcompacts and compacts segment 1,810 loans were granted in the amount of 361 million pesos.
-
-

-
-
- In the framework of the Assistance Program for Natural Disasters and Economic Reactivation, no programs were implemented during 2015. However, the operations of the following schemes implemented in 2014 were completed:

The Program For Michoacan Together We Will Succeed, has eight loans granted, with a total of nine million pesos.

The Program "Crusade against Hunger and Program against Violence and Crime", is an economic reactivation scheme that facilitated the granting of 98 loans, at a total of 96.5 million pesos.

The Program for Financial Assistance to Border Zones was implemented to facilitate financing in competitive conditions to businesses in the states located along the country's northern and southern borders: Baja California, Baja California Sur, Sonora, Chihuahua, Tamaulipas, Coahuila, Chiapas, Quintana Roo, Campeche and Tabasco, obtained a progress of 928 loans for a total amount of 1,050 million pesos.

Alternative Channels

Alternative Channels made it possible to expand credit and grant financing to a larger number of companies during 2015. Additionally, they have contributed to reducing operational costs within the institution, by using centralized schemes to provide services to companies and making the organizational structure more efficient.

Sector-based Programs (instrumentation)

Develops and implements promotion and sales strategies, through the national internal and external promoters network, for the different financing programs, among which the Economic Impulse, emerging and those designed to strengthen any economic sector are highlighted, like the case of Credit for Young People, Women Owning Businesses, Leather and Footwear and Financing University, among others, in order to achieve the annual goals of institutional and promotion programs implementation.

Promotion of Factoring

Developing and implementing strategies for promotion and affiliation with the Program for Factoring in Productive Chains, using the national network of internal and external promoters and various means for providing assistance (membership and affiliation campaigns, through the Customer Service Center -Call Center-, and mass mailings by email, major events for membership and installation of modules in First-Order Companies, among others), with the following results obtained in 2015:

- During 2015, 8,573 suppliers affiliated with the Productive Chains Program.
- As part of the Nafinsa's Electronic Equipment Market Program, which has the objective of linking supply and demand to promote the equipment of the Mexican SMEs, 121 stores were created with their respective incorporated salespersons, registering 3,885 available online products.
- In the suppliers financing scheme of the Productive Chains Program, during the period from January to December 2015, there is an operated amount of 1,055 million pesos.

Administration of Electronic Products

Administers, coordinates and controls the processes associated with the operational instrumentation of the Productive Chains Program, Financing to Distributors, Electronic Credit and other special programs, supervising the functioning of the electronic products, establishing mechanisms for providing training, specialized consulting, and technical assistance related to Electronic Products to Financial Intermediaries, First-Order Companies and internal departments. It also facilitates the SMEs in accessing Nacional Financiera's financing products, through the operation and administration of control systems associated with post-sales; and also establishes and defines mechanisms for reviewing and supervising documents for the timely incorporation of businesses in line with the regulatory guidelines in force. The results obtained were the following:

- Supervision, follow-up and registry of over 10,000 daily average operations (Fixed Rate, Variable, Emerging and Micro-Finance Loans and Chains), with amounts of over 800 million pesos a day, through the Nafinet Platform.
-
-

-
-
- Service and support was provided to over 600 First-Order Companies participating in the Productive Chains Program.
 - Services and support was offered to over 50 financial intermediaries for credit operations and consults (IFB, IFNB, FISOS, AAA, in Spanish) regarding the Nafinet System and operations conducted in this system.
 - Administration of approximately 139 internal users was kept in 2015, more than 2,600 users of financial intermediaries, and over 8,000 users of First-Order Companies in the Nafinet Platform.
 - Dispersal of Funds to SMEs and financial Intermediaries with a monthly average of over 600 million pesos, by First-Order Companies through the Productive Chains.
 - Processing of over 850 average files per month of companies requesting affiliation to the Productive Chains Program, and also new products and services such as Nafinsa's Electronic Equipment Market and Sector-based Programs like Credit for Young People, among others.
 - Maintaining of service levels for the documentary review of suppliers' files that affiliate to the Productive Chains Program and other products and/or services.
 - Storage and control of over 120,000 physical and digital files.
 - Operative instrumentation of over 110 productive chains and more than 25 stores in the Electronic Market product.
- Customer Services and Channels Development***
- Design and implementation of the attention channels to get to the MSMEs and entrepreneurs the supply of Nacional Financiera products and services. Through the Customer Service Center plans and processes aimed to users/customers service at national level are designed, their connection with the internal areas and negotiation with several public and private entities, for the achievement of the promotion programs of several loan and factoring products and services, with the following results:
- During 2015, over 294,000 phone calls from clients and users, regarding
-
-

any of the institution's products, were addressed.

- Over 12% of the discount operations of documents of the Productive Chains Programs were made via Call Center.
- Over 195,000 interactions have been conducted using other channels of service through the Call Center, such as SMS text messaging, message campaigns by email, and personalized attention to email messages by a SME executive.
- With the implementation during the first semester of 2015 of an 800 number allocated to the attention of the Credit for Young People Program, to provide guidance to young entrepreneurs with specialized executives, attention has been provided to over 19,000 entrepreneurs.

One of the main attention channels to MSMEs and entrepreneurs is the display of the Entrepreneurs Support Network, through which 16,547 applications were answered, 80% of which required training services and 20% financing.

Promotion of capital investment through the Entrepreneur Capital Program

The Entrepreneur Capital Trust Fund was created by Nafinsa in order to invest in innovative projects with high impact in the economy through investment funds or directly in companies. It is focused on investment vehicles that support businesses on early stages, being a catalyst of its growth, since besides contributing with capital for the company, it provides experience, strategic allies, corporative government, support to quality jobs creation and increase of competitiveness of the companies through the timely follow-up of the resources, minimizing the risk for all the partners. It consists of five portfolios, from which, three are managed and operated by Nafinsa:

- **Conacyt-Nafinsa Fund**, on disinvestment stage. The program had a total investment of 224 million pesos, supporting 43 companies, currently; seven of them had been disinvested with an amount of 47 million pesos.
- **Seed Capital Joint Investment Fund**, its purpose is to support entrepreneurs and/or innovating companies

on early stages, through funds, other investment vehicles and, in some cases, directly with Seed Capital. At the close of 2015 there were three funds with a committed capital of 126 million pesos, supporting 37 companies; 14 companies with 66 million pesos and the successful sale of one of the companies was five months from the investment.

- **Ecosystem of Entrepreneur Capital INADEM-Nafinsa.** This program seeks to strengthen the financial ecosystem promoting the creation and strengthening of investment vehicles, granting joint investment resources to capital funds in order to facilitate the access to these resources to high impact companies, both start-ups and growing ones. The total amount of the program is 3,982 million pesos (public and private resources) with a participation of the entrepreneur Capital Trust Fund of 1,523 million pesos to support 36 investment funds.

Credit Guarantees Program

This program stimulates the granting of loans to the SMEs, as Nafinsa partici-

pates on the risk over granted financings by the Financial Intermediaries.

During the period from January to December 2015, a total of 270,002 million pesos was channeled (including guarantees financing and guaranteed credit). Thus, the balance at the end of the period, considering guaranteed credit, was 154,190 million pesos, 7.7% above the balance at the end of December 2014. Of this balance, there is coverage of the Nafinsa Guarantee of 39%.

Portfolio Balances of Private Sector Credit

The total loan portfolio corresponding to the private sector, including guaranteed credit, at the end of December 2015, has increased to a total of 319,183 million pesos. Of this amount, the Guarantees Program contributed 48%, the traditional credit contributed 41%, and the Productive Chains, the remaining 11%. In accordance with its mission of assisting the country's smallest businesses, 80% of the portfolio balance to the private sector was concentrated on MSMEs.

Regional Promotion Network

During 2015 a new strategy was defined to increase the promotion and penetration of sector-based and regional markets through three particular guidelines:

Sector-based strategy. Determine by federal entity the manufacturing and services activities with the most dynamism; meaning, with more influence in the State Gross Domestic Product (PIBE, in Spanish) and their respective growth rates. This has the purpose of maximizing the sale probability of any Nafinsa product in those activity sectors.

Regional Strategy. Determine the georeferential location of the main state economic activity sectors to focus and optimize the promotion efforts in the municipalities with larger concentration of economic units.

Operational Strategy. Generate precision shots in the promotion and sale process of Nafinsa products, delivering each state representative a list of companies to visit from the sectors and regions with more dynamism.

In order to consolidate the aforementioned strategies, at the beginning of the year actions were taken to accelerate and give certainty to the promotion and referencing activity of projects of the State Representative Network.

Among these actions there is the focus on long-term projects in priority and high impact sectors for the corporative segment and SME. This was the case of the following products whose resource was channeled directly by Nafinsa acting as a first-tier bank or a selective guarantee to a project funded by a commercial bank for an amount over 50 million pesos was granted.

At the end of 2015, the Regional Promotion and Institutional Relations Network promoted 97 viable projects of Investment Bank, from which 12 are being implemented and five starting operations.

The Development Banking projects implemented during 2015 were:

- Productive Chains: 49 companies with operation.
 - Selective Guarantee: 19 guarantees implemented.
 - Medium-Sized Establishments Guar-
-
-

-
-
- antee: 11 guarantees implemented.
 - Sector-based Program: 16 programs with operation.
 - Financial Intermediaries: one incorporation.
 - Entrepreneurs: three entrepreneurs with contributions.
 - Market Place: 49 electronic stores implemented.
 - Main Enterprise: 63 companies adhered to the Program.

Training and technical assistance activities

Regarding synergy of the Network of State Representatives with other internal areas, as well as other development banks and state and municipal governments, in 2015 the following stand out:

- Mobile Office. The visit of the Mobile Office service was managed to 111 municipalities, in which business training workshops were given.
- Corporate Governance. The attendance of 120 business owners to participate in the two Corporate Governance workshops was guaranteed, which took place in

Acapulco, Guerrero, and Mazatlán, Sinaloa.

Institutional relations activities (events, publications, agreements and interviews)

As a result of the Institutional Relations activities during 2015, the Network of State Representatives contributed to consolidate the national and local presence in Nafinsa through: 575 promotion events, 307 articles published, 336 interviews in the media and 90 collaboration agreements, which help to:

- Disseminate information regarding Nafinsa's activities in the states.
- Promote the portfolio of products that Nafinsa has for different business segments.
- Establish local alliances for promoting Nafinsa products designed to assist SMEs.
- Collaborate in generating new products.
- Identify the requirements and needs of business groups and governments in the states.

Advisory Councils

During 2015 the strategic relation of Nacional Financiera was strengthened with the regional business owners throughout the country through the Advisory Councils, which additionally have become a Federal Government level reference in terms of relation with the business sector.

Currently, the Network of Advisory Councils of Nacional Financiera includes 643 advisors, 44% more than in 2015. Also, the women's participation in the Advisory Councils has been a constant gender inclusion task; therefore in 2015 there was a participation of 84 female consultant advisors, which represents 250% more than in 2014.

Regarding the activity of the Advisory Councils, in 2015, 128 sessions were held in the 32 states. The participation of the advisor business owners of Nacional Financiera stands out in the five work committees, which focused on:

- Design of products according to the regional vocations.
- Promotion and inclusion of new clients.
- Support to entrepreneurs and promotion of innovation.

- Training and technical assistance.
- Institutional Relations.

The operation of the five work committees generated 676 agreements regarding the promotion of the institutional services and business generation, of which 580 applications have been answered, representing a progress of 86%.

The Advisory Councils have helped Nacional Financiera identifying opportunities for the structuring and instrumentation of programs that detonate the regional and sector-based economic development, as well as referring new strategic clients of the private sector. In the same manner, its contribution has covered opportunity areas in the public sector through the participation of the ministers of Economic Development of each entity, which have supported the execution of agreements referred to as "Project 3", with the governments of the states of Aguascalientes, State of Mexico and Puebla, which establish the implementation of three strategic programs for those entities through the support to regional and SMEs development.

During 2015, the Advisory Councils

referred 175 prospects for the placing of the institution's products and services, such as: Selective Guarantee, Productive Chains, Treasury Contracts, Entrepreneurs, Main Enterprises, Corporate Financing, Sustainable Projects, Financial Intermediaries, Electronic Equipment Program Market Place, Program of Institutional Market of Corporate Alternative Debt (MIDAS, in Spanish) and customized Sector-based Programs.

In order to establish synergies and identify market penetration strategies and financial supports for the local companies, during 2015 two regional meetings were held, the first one with advisors from the Central and Southern regions, and the second one with advisors from the Northeast, Northwest and West regions. During these Regional Advisory Councils meetings, the CEO of Nacional Financiera was present, together with some of the main officials of the state governments, in order to evaluate the actions of Nafinsa on each of the regions; with an open dialog and defending the strategies that the advisors help execute to guarantee a higher support to the business sector.

There was an active participation of the consultant advisors and the companies referred by them during the Corporate Governance workshops that took place with the participation of 120 business owners, becoming a discussion and interaction forum between young people and experienced business owners of Mexico, in which the institutionalization of family business were established in order to strengthen the managerial succession process.

Credit for Young People

Credit for Young People ended on 2015 with an allocation of 417 credits in the amount of 171 million pesos and there are 850 files under banks analysis process. Thanks to the significant support and trust of the Banamex, Santander, Banregio and Afirme banks, it was possible for the young people to start a business and the growth and impulse of existing companies.

This initiative, which was presented by President Enrique Peña Nieto on February 2015, has the purpose of promoting the financial inclusion and economic growth based on the access to financing at pref-

erential rates in four different modalities. With the Financial Reform it is possible to support young people who do not have

a credit history and wish to access to finance services, with credit amounts from 50 thousand pesos to 2.5 million pesos.



INVESTMENT BANKING

Guarantees on Securities Instruments

Nacional Financiera Guarantees on Securities Program continues to encourage businesses to improve their credit rating by issuing debt securities and obtaining more depth in the market, enabling them to place larger amounts for longer terms by accessing a larger segment of investors. The Guarantees on Securities Program is promoted with Securities Intermediaries, the Mexican Association of Securities Intermediaries and the Mexican Stock Exchange, among others, with the aim of promoting the debt securities market in Mexico.

On October 2015, Nafinsa guaranteed the securities issuance of 160 million pesos allocated to the Mexican Stock Exchange for two years term, in favor of a non-banking financial intermediary.

On April and July 2015, respectively, the terms of the two guaranteed issuances ended, achieving the objective of promoting the inclusion of these companies in the Stock Exchange.

Structured Financing

Structured credit provides financing through a vehicle with a specific purpose in which companies monetize their asset portfolios, making it possible to isolate operational risk and obtain higher credit ratings, without negative effects on balances. This program is directed at medium and large companies that generate portfolios with receivables.

Credit line to a trust fund / Decentralized Government Agency

The unsecured direct credit line is monitored up to 2,700 million pesos, which has a balance of 1,300 million pesos as of December 2015, and also the structured credit line in favor of this entity. The purpose of the lines is to finance their operative needs.

Financing to Petrochemical Plant

The entire credit of 280 million dollars was authorized for the development of a petrochemical complex for polyethylene

production. This is one of the most important permanent investments in the last years in Mexico, with more than 5,100 million dollars. This plant has great regional and national impact, it generates many jobs (approximately 17,000 during the construction stage); it is estimated to begin operations during 2016, generating approximately 3,000 indirect and 800 direct jobs; it will also replace imports for approximately 1,500 annual million dollars.

Likewise, this petrochemical project was supported with a current account loan up to 300 million dollars for its equivalent in Mexican currency, within a syndicated loan with another bank for up to 420 million dollars with the purpose of financing the Value-Added Tax (VAT) derived from the investments made during the construction period of the project. So far over 2,400 million pesos have been withdrawn from this syndicated line.

Petrochemical Company

A simple corporate loan of up to 390 million dollars was concluded authorized to a company in the petrochemical industry,

for rehabilitating and initiating operations of a fertilizer plant. This high-priority project for Mexico will replace imports and generate over 800 direct jobs and 1,500 indirect jobs during its rehabilitation phase.

Sugar Industry

During 2015 Nafinsa granted three structured loans for a total of 3,600 million pesos through specific purpose vehicles, destined to finance their operative needs. The financings support a company that has over 5,000 direct jobs and which generates thousands of indirect jobs through supplies activities and the value chain generated with the product distribution and sale.

Financial Advisory Services

During 2015 three requests for technical valuation reports were responded, thus assisting in the placement of Ordinary Participation Certificate (CPOs) on the stock issuance market, to the benefit of companies in various sectors.

Government Banking

During 2015 Nafinsa continued to administer loans previously granted to two semi-public entities, Pemex and Federal Electricity Commission (CFE, in Spanish), currently State Productive Companies.

Financing of Projects

National Journalism Company

Nafinsa keeps supporting a Mexican company in the media sector for the acquisition of software, equipment and expansion of its online platform, as well as for work capital.

Combined-Cycle Thermoelectric Plant in the state of Nuevo Leon

In 2014 a loan for up to 75 million dollars was authorized, as part of syndicated financing for up to 800 million dollars, for the construction and operation of a combined-cycle thermoelectric plant with a capacity for generating 850-900 megawatts, in the state of Nuevo Leon. This is a five-year loan and so far the project is in construction phase and making withdrawals from the loan as the work progresses. During 2015 the funding

from the whole banks union was completed. The plant is expected to begin operations during October 2016.

Mineral plant in the state of Colima

A loan for up to 200 million dollars for renovating an iron mineral plant in the state of Colima was authorized. The total investment for this project will be approximately 320 million dollars; so far withdrawals from the loan have been made as the work progresses.

Los Ramones South Project

Nafinsa structured this project together with National Bank of Public Works and Services (Banobras, in Spanish) and commercial banks, with a total cost of 1,200 million dollars. The project has an extension of 307 kilometers, covering from San Luis Potosi to Guanajuato. Resources have been withdrawn according to the work schedule of the project.

Gas pipelines, Los Ramones Phase II North

Nafinsa participates in the North Phase of the System, which will be 440 kilome-

ters long (from Nuevo Leon to San Luis Potosi). The project will have a cost of 1,300 million dollars, of which Nafinsa participates with 240 million dollars. So far resources have been withdrawn according to the work schedule of the project.

Sustainable Projects

In line with the objectives of the Federal Government focused on promoting Sustainable Development in Mexico¹, stated in the National Development Plan 2013-2018 (PND, in Spanish), the institution promotes funding and investment schemes from different sources to projects that generate a positive balance in the environment.

In this sense, the general objective consists of granting short, medium and long-term funding to national and in-

ternational companies or financial intermediaries, both in the private and in the public sector, which promote projects in Mexico that lead to an ecological, economic and social development, based on a better use of natural resources and the generation of added value.

In 2015, the following projects stand out:

Wind of Coahuila

In May, Nafinsa was mandated as the coordinating bank, agent and supplier of senior credits and the VAT in the Project called Wind of Coahuila, which consists of the construction and operation of a wind park with an installed capacity of 200 MW at the state of Coahuila. The project must supply electric power to Peñoles Industries and the financial closing is estimated for the first quarter of 2016.

Sierra Juárez Energy

In June, the Project Sierra Juarez Energy came into operation, which consists of the construction and operation of a wind park with installed capacity of

¹ Sustainable Development refers to the growth process focused on the care and protection of the environment, whose field is divided into three parts: ecological, economic and social. The latter one results from the relation between social wellbeing and the environment, and economic boom.

155.1 MW at the state of Baja California. The project shall generate power under the mode of export, consumed by San Diego Gas & Electric (SDG&E), power and gas company under the jurisdiction of the Commission of Public Services of California, a subsidiary of Sempra Energy.

Sierra Juarez Energy is a watershed for Nafinsa, because it is the first trans-border project of wind power between Mexico and the United States. The group of banks funding the project is comprised by four foreign financial institutions and Nafinsa, the only Mexican bank that participated in the operation with an amount equivalent to 12.5% of total investment.

La Bufa

In November, a simple credit agreement became official in favor of La Bufa, for the construction and operation of a wind park with installed capacity of 130 MW at the state of Zacatecas. The project shall supply electric power to Volkswagen.

The group of banks that will fund the project is comprised by four foreign financial institutions and Nafinsa, the only Mexican bank that participated in the operation with an amount equivalent to 25% of the funding. In December, the first disposition of the syndicated credit was held.

Demex 1

On December 10, Demex 1 performed an issuance of security certificates of the project, with which the total amount of the syndicated credit was liquidated. Nafinsa participated as financial consultant of the issuance.

The project consisted of the construction and operation of a wind park with installed capacity of 90 MW at the state of Oaxaca. The project came into commercial operation by supplying clean energy to the subsidiaries of Grupo Bimbo. Nafinsa participated in the project as coordinating bank, agent, and the funding of the senior credit for 13.3% of the total investment.



Nemak

In December, the simple credit agreement was held in favor of Nemak for funding needs of permanent working capital. Nemak is a sustainable company; leader in the sector of aluminum car parts, 95% of its raw material comes from recycling sources. Likewise, in December, the disposition of the credit in a single amount took place.

Ventika and Ventika II

During the year, the disbursements scheduled were held according to the progress calendar for the construction and operation of wind parks Ventika and Ventika II, with joint installed capacity of 252 MW in the state of Nuevo Leon. The projects shall provide electric power to Cemex, among others, and it is expected to come into commercial operation in April 2016. Nafinsa participates in the operation with an amount equivalent to 21.5% of total investment. Additionally, Nafinsa participates as an agent bank and supplier of VAT credit.

San Rafael

As for the credit granted in favor of San Rafael, for funding the first hydroelectric power plant funded by Nafinsa, with installed capacity of 28.8 MW at the state of Nayarit, during 2015, three credit dispositions took place, and with that they took the total amount of funding granted in favor of them in relation to senior and VAT credits.

Communication Towers (MTP Sites)

In line with PND 2013-2018, which defines telecommunications as strategic supply for economic competitiveness, and as support for the Telecommunications Reform, which considers the growing demand of transmission through mobile technologies, Nafinsa entered the telecommunication sector by authorizing a VAT and senior credit of MTP during the month of May.

The transaction was made through a syndicated credit in which Nafinsa and two foreign financial institutions participated for an amount equivalent to 56% of the total investment.

***Product to CFE Supply Chain
as support to Mexican suppliers of
electric infrastructure***

During 2015, Nafinsa authorized its participation in the funding of an Agreement of Funded Public Work with CFE, to carry out the design, construction and commissioning of seven transmission lines, with a length of 426 km, and five electric substations which are related to the construction of the Combined Cycle Electric Power plant “Empalme I” at the state of Sonora.

Funding shall be for the equivalent of almost 80% of the total amount of investment, and it shall be completed with the participation of commercial banking.

PIER II

According to the current environment and by means of the development of new schemes of project finance, Nafinsa supports the new environment of the electric power market by authorizing in favor of PIER II a credit to fund costs associated to construc-

tion, operation and commissioning of a wind park of 66 MW of installed capacity at the state of Puebla. Through this project, Nafinsa starts a relation with the main private producer of electric power in Mexico, and the first wind producer in the world (Iberdrola).

Such transactions represent the opening of new business sectors of investment banking of Nafinsa, through sophisticated funding, directed to the development of strategic sectors in the country, with which, in line with the framework of Energy Reform, Nafinsa shall work to increase the transmission infrastructure and the electric coverage of the country.

Investment Programs

Direct Stock Investment

Regarding the permanent portfolio of companies, during 2015, several actions were performed for following up the direct stock investment portfolio of the institution:

- We attended the assemblies of the companies in which Nafinsa has shareholding, where the reports were

released to the Board of Directors as for the activities of the corporations, the financial statements corresponding to 2014 and other matters.

- Attention was given to the capital calls received by the funds in which Nafinsa has shares.
- There was compliance with the quarterly ending, through the platform of the IT system of the Ministry of Finance and Public Credit (SHCP, in Spanish), of the financial statements and account statements of Trust Fund for Supporting the Intermediary Market of Securities FAMIV 9173.

Indirect Stock Investment

Nacional Financiera fosters and develops the industry of risk capital in Mexico through the Mexican Corporation of Capital Investment (CMIC or Fund of Funds). The corporate structure of CMIC is divided into vehicles with thesis of specific investment in Private Capital, Entrepreneur Capital or Venture Capital, Mezzanine Debt and energy sector.

At the closing of 2015, CMIC keeps a

commitment for 832.6 million dollars in 69 investment funds and 13 direct joint investments, supporting 169 Mexican enterprises and more than 52,600 direct jobs.

In March 2015, there was the crossing and settlement of the Certificate of Development Capital (CKD) issued by CMIC for more than 3,200 million pesos as part of the vehicle called Fund of Funds (FdeF, in Spanish) Mexico II. Additionally, during the year, three CKD were issued for a total of 7,000 million pesos for special programs of the Administrators of Retirement Funds (Afore, in Spanish) which made a joint investment in the vehicle FdeF México II.

On the other hand, Nafinsa participates as shareholder of Development Bank of Latin America (CAF), with an amount equivalent to 1.4% of the regular stock of this multilateral organization. The chairman of the Board of Directors of Nafinsa (Ministry of Finance and Public Credit) participates as a member of the Board of Directors of CAF, in order to promote financial and technical cooperation schemes for the development of the

small and medium size enterprises of our country.

Program of Institutional Market of Corporate Alternative Debt–MIDAS

Nafinsa, in order to comply with its mandate efficiently, has designed an institutional program called Program of Institutional Market of Corporate Alternative Debt (MIDAS, in Spanish) which brings together the credit support of Nafinsa so that companies instrument their modernization and expansion plans, as well as the fostering for the security market, by encouraging the companies so that they, in a term no longer than three years, become candidates to issue debt in the Mexican Stock Exchange through the compliance of a program to strengthen its corporate government, in order to provide third parties with transparency and certainty.

During 2015 the Program promotion continued, and also the follow-up of the first MIDAS credit granted to a telecommunication company, and resources shall be aimed to invest in fixed assets, construction and working capital.

Funding was granted in favor of a trading company of consumer goods at

the state of Colima, whose destination is being working capital for rehabilitating new stores.

Support was given to a company of the automotive field for the acquisition of a plant, working capital and equipment, at the state of Coahuila.

Both companies started with the institutionalization plan of its governmental organisms to, then, are able to issue debt in the Stock Exchange.

Entrepreneurial Development and Technical Assistance

As a supplement to its financial activity, Nafinsa performed training and technical assistance actions, among which the highlights are as follows for 2015:

- With the three Mobile Offices, Nafinsa went all around Mexico: 1,087 courses taught and 16,588 people trained. From this total amount, 189 courses corresponded to the RIF with 2,699 people trained. Additionally, new entrepreneurial contents of training were added, such as: “Knowing the Credit Bureau”, “Incorporate social networks to your company” and

“Products and services for your enterprise”.

- The first pilot program of Entrepreneurial Technical Assistance was made at Oaxaca, for the benefit of 29 MSMEs which instrumented an improvement plan to increase their permanence and productivity.
- New entrepreneurial contents and update of the portfolio of courses: “Fiscal Incorporation Regime”, “Incorporate social networks into your business” and “Nafinsa Products and services for your enterprise”, among others.
- At the Center of Entrepreneurial Development (CEDEM, in Spanish) and with a network of 50 instructors national wide, 4,248 classroom courses were taught, in which 86,730 people were trained.
- Nafintecapacita.com has 21 courses of entrepreneurial development, with 41,833 active users who have taken 71,329 courses.
- The 5th and 6th Workshops of Corporate Governments were taught, with an average attendance of 70 people and 30 enterprises per event; both workshops were evaluated with a 94% satisfaction.
- On matters of Energy Efficiency at SMEs, the Entrepreneurial Eco Credit Program, trained 21 analysts and credit and risk managers of the Banking Financial Intermediaries.



INTERNATIONAL

Project Management

The disbursement of loan resources coming from International Financial Organizations in which Nafinsa is a borrower accounted for 395 million dollars of CAF, 100 million dollars of the Inter-American Development Bank (IDB) and 5.1 million euros of KfW as of December 31, 2015. Among the projects supported during this year, the ones to highlight are the following:

Support Program for Feasibility Studies of Sustainable Projects (EFPS) of the IDB for 1.0 million dollars.

With this Technical Cooperation (CT, in Spanish) support was provided to hire experts in environmental and social matters.

Program of Institutional Strengthening of the Direction of Sustainable Projects with IDB for 0.3 million US dollars.

During 2015, eight consultants have been hired, and subscription was made to the release media Climate Change Media Ltd.

Technical Support Program to the Development Bank with Funding Strategies for Mitigation of Climate Change with the IDB for 0.135 million dollars.

In compliance with Nafinsa's mission, the process has continued to get funding and technical cooperation from multilateral and bilateral sources at competitive rates and terms, in order to fund projects and priority programs, highlighting the following activities.

Collection of resources in foreign currency with financial and international cooperation institutions for the benefit of Nafinsa programs

- **Conditional Credit Line for Investment Projects (CCLIP) I with IDB**, for promoting Development of Supplier and Contractor SMEs for the National oil Industry and Alternative Energy Projects related to the Oil Industry. This loan was disbursed totally in the

fiscal year 2013. Dated July 15, 2014, the IDB gave its Non-Objection to the final financial statements. Finally, at the closing of December 2015, a release of 50 million dollars was made, corresponding to the securitization of the wind Project of Demex I funded with resources of this line.

- **Clean Technology Fund (CTF) Line with the World Bank (IBRD)**, under the support of the Program of Energy Efficiency of the Federal Government. On November 13, 2012 the total credit amount was used. Resources accounting for 1,080 million pesos were aimed to the Trust Fund for Savings of Electric Power (FIDE, in Spanish), from which 676 million pesos (pari-passu of 62.5%) corresponded to CTF loan. With these resources, through FIDE, in 2015, 240,690 credits were granted to fund the credit component of the Program for Home Appliances Replacement. Although it is still pending to submit the Final Report, in virtue of the fact that the Program of Sustainable Power from the Ministry of Energy (Sener) has not been closed.
- **Credit line with CTF from the IDB**, for the Funding of Renewable Energies Program. This line considers resources from CCLIP line from the IDB of at least 70 million dollars, and a contribution from Nafinsa of at least 70 million dollars. On April 30, 2014, the disbursement of the total amount of the line for 70 million dollars was made, under the down payment mode, in accordance to IDB. Resources have been proven for 50 million dollars of the projects Aura Solar I, Bii Stinu, Ventika, Veintka II and Demex II. Dated and valued on November 25, 2015, verification was made of 10 million dollars of the project Eoliatec from Pacific and on December 17, 2015, verification was made for 10 million dollars for the Sierra Juarez Energy project.
- **CCLIP III Line with the IDB**, for the Program for Funding Projects of Renewable Energies.
- **KfW line for 31.2 million euros**, for the Program of Environmental Improvement of SME. From this line, 11.7 million euros correspond to the Pro-

gram of Small Freighter (Man-Truck), aimed to fund 164 credits granted by the intermediary PACCAR Financial México to beneficiaries that had a junk certificate. The remaining 8.7 million euros were aimed to the Program of Environmental Improvement of Small and Medium Size Companies in Mexico, granted by FIDE under the support of the Entrepreneurial Eco Credit Program. Additionally, Section II of this credit line for 10.7 million euros has been almost fully disbursed and the balance at the period closing of the period was of 180 thousand euros. The SHCP in February 2015 authorized the corroboration of the line for using the resources during the present fiscal year. As for the financial contribution, work was made with KfW, FIDE and Sener in the action plan for using the resources of this technical cooperation for the fostering programs of Nafinsa. 92,104 euros have been aimed for consultancy related to the Program of Small Freighter (Man-Truck), release services of PAEEEM shall be contracted, and this shall in-

clude the Indexing services of 20,000 files. During 2015, 5.1 million euros were disbursed.

- **Line not committed with CAF for 300 million dollars**, whose purpose is the funding of all kinds of operations and free availability of Nafinsa of: (i) working capital; (ii) foreign trade, working capital and extensions of customer portfolio; (iii) productive chains; (iv) funding of sustainable projects and (v) other corporate aims in general. The operation terms are established on a case-by-case basis and cannot exceed 360 natural days, starting from the disbursement day. In 2015, resources were disbursed at 30, 60 and 90 days for 395 million dollars, which were paid in that year.
- **Credit Line with the IDB for 350 million dollars** to fund the Funding Program for Fostering Co-generation in Mexico with the IDB on June 3, 2014, and it was authorized by the Board of Directors of Nafinsa on January 27, 2015. The Program shall consist of a global credit operation that will contribute to the strategic implementa-

tion of Nafinsa in the structuring and funding of sustainable projects, to take advantage of the opportunities that the production of natural gas implies, and for the improvement of the transportation network, storage and distribution of gas, by funding the private sector, encouraging and orienting toward a green and inclusive growth and supplying energy at competitive prices, with quality and efficiency all throughout the productive chain. Loan and warranty agreements were signed on June 17, 2015. There was compliance with the conditions previous to disbursement. A disbursement was made of 48.5 million dollars of Techgen Project, and a down payment of 51.5 million dollars.

- **Loans and Technical Cooperation of IDB and of CTF for the Program for Funding and Transfer of Risks for Geothermal generation.** The purpose is to contribute to the objectives stated in the PND 2013-2018, and in particular the one referred in the National Strategy of Energy 2013-2027, to foster diversification in power generation and

to reduce dependence on fossil fuels. The legal documentation of technical cooperation was signed at the closing of 2014, and loan agreements were signed on February 25, 2015. In April 2015, the SHCP performed the Recording of Financial Obligations.

- **KfW Funding line for 65 million dollars.** In October 2014, the negotiation of this line started, being mainly aimed to fund the Program of Energy Efficiency in MSMEs (Entrepreneurial Eco Credit for Energy Efficiency). On October 27, 2015, the Board of Directors of Nafinsa authorized the holding of the loan agreement and on December 2, 2015, the loan agreement became official. Currently, it is in compliance with the conditions previous to the first disbursement.

Negotiation of new operations coming from international financial organizations

A negotiation was made with the Department of Energy and Climate Change of the United Kingdom of Great Britain and Northern Ireland (DECC), for having funding for 50 million pounds sterling. Regarding this matter, the following may be highlighted:

- **Capital Contribution of the Department of Energy and Climate Change of the Government for up to 50 million pound sterling.** The general objective of the program is to foster and support Mexican SMEs to improve energy efficiency, by providing them with funding to invest in efficient technologies and get consultancy on the way to operate efficiently and reduce carbon emissions. Likewise, it is also aimed to open markets for products of energy efficiency and technologies, to contribute to economic development, by means of the reduction of operation costs of small and medium-size en-

terprises, for the sector to be more competitive. At the closing of December 2014, they concluded negotiation of the Memorandum of Understanding (MoU) Nafinsa-DECC. In March 2015, the Sener signed with the British Government a general MoU to collaborate in a Program of Energy Efficiency for SMEs, from which a Cooperation Agreement shall derive, which states the objective and actions of the component of Promotion and Technical Assistance.

International Cooperation *Latin American Association of Financial Institutions for Development*

Nafinsa and Bancomext, were hosts of the 45th Regular Meeting of the General Assembly and the 42th Meeting of National Coordinators of ALIDE which was held from May 20 to 22, 2015 at Cancun, Quintana Roo. The main topic for this year was “Policies and strategies for fostering productivity in the region”, “Funding for development and consolidation of ecosystems of entrepreneurship and innovation” and “Financial

and entrepreneurial cooperation from the development banking”.

Officials from Nafinsa participated at the coordination meetings of the technical committees of ALIDE and the bilateral meetings. Nafinsa chaired the 42th Meeting of National Coordinators of ALIDE and participated at the Technical Committee of Climate Change and Environment, and it was also in charge of supporting the performance of bilateral interviews. Finally, it must be mentioned that it received the award called Green ALIDE 2015 for the program of Renewable Energies.

Forum of Asia-Pacific Economic Cooperation (APEC)

Nafinsa was the host of the 12th Yearly Meeting and Conference of Financial Institutions of APEC that deal with SMEs, from June 30 to July 2, 2015, at Cancun, Quintana Roo. This year, the topic was “The role of the financial institutions in fostering financial inclusion, sustainable development and gender equality”.

Nafinsa participated in the organization of such Yearly Meeting and Con-

ference, in the moderation of the three sessions (financial inclusion, sustainable development and gender equality) of the Yearly Meeting, as well as in the open discussion on new products and services, which were held on July 1th. Likewise, memoires of the Yearly Meeting and Conference were prepared.

Furthermore, in March, Nafinsa received from the APEC Business Advisory Council (ABAC) an invitation to be a panelist at the Asia-Pacific Financial Forum (APFF): Roundtable on Financing Micro-Small and Medium Enterprises in the Asia-Pacific Region. On April 20, Nafinsa participated in the second session titled “Completed, Ongoing and Planned Policy Measures to Promote MSME Finance in Latin America”.

Finally, officials from Nafinsa participated in the APEC Workshop, organized by the Ministry of Economy (SE) in March 2015, to explore other areas for cooperation and funding within this forum.

Montreal Group

Montreal Group is a non-profit association created in September 2012, which is aimed to exchange experiences among financial institutions focused on the development of small and medium enterprises. Currently, it is comprised by eight development banks: National Bank of Economic and Social Development (BNDES) from Brazil, BPI France, Business Development Bank of Canada, China Development Bank, Finnvera (Finland), Nacional Financiera, S.N.C., I.B.D. (Mexico), Small Industries Development Bank of India (SIDBI) and Vnesheconombank (Russia).

Nafinsa participated in the 4th Yearly Meeting of Montreal Group, held from April 15 to 17, 2015 in Paris. Officials from Nafinsa participated at the works of the three working groups of 2014-2015, this is: green funding, cross warranties and risks. Furthermore, officials attended the “International Networks Event” and the round table titled “Internationalization of SME’s”, organized by BPI France.

It is highlighted that, through Montreal Group, officials from SIDBI requested an internship at Nafinsa to get to know

the Program of Productive Chains. For that, Nafinsa acted in the organization of an internship, which was held from February 25 to 27, 2015. Three officials of SIDBI were in Mexico to know the programmed detail, and had visited a financial intermediary (Banca Mifel) and an incorporated company (Scribe).

In the 4th Yearly Meeting held at Paris, it was established that working sub-groups for the period of 2015-2016 shall be: Risk Management of Portfolio, Green Funding and Innovative Products.

International Development Funding Club (IDFC)

Nafinsa participated in the “Climate Finance in Developing Countries Practitioners Conference”, held on March 31, 2015 in Paris, France. The host for the conference was the French Agency of Development (AFD, in French). The topics addressed were: Tracking and reporting of climate funding; Incorporation of climate change to strategies, activities and operating modalities of financial actors in developing countries; and Instruments for mobilizing green funding.

Inter-American Investment Corporation (IIC)

Nafinsa affiliated to the Inter-American Investment Corporation in 2014. After affiliating, the institution proposed itself to be the venue of the 9th Yearly Conference of Corporate Government. That is why; Nafinsa organized the 9th Yearly Conference of Corporate Government, at Mexico City, from March 4 to 6, 2015.

Development Bank of Latin America (CAF)

An official from Nafinsa participated in the “II Encounter of CAF and Development Banks of Latin America”, organized by CAF on April 23 and 24, 2015, at Buenos Aires, Argentina. Nafinsa, along with CAF, organized the conference on “Infrastructure in Latin America”, which was held on June 23 and 24, in Mexico City. The CEO of Nafinsa and the President of CAF participated in the inauguration and closing of this conference, where there were also the Deputy Minister of Finance and Public Credit in the opening and the Minister of Finance and Public Credit in the closing. In this space, the Minister

of SHCP and the President of CAF made comments on the possibility of Mexico to make an additional contribution to CAF capital.

In September, Nafinsa participated in the XIX Yearly Conference of CAF, the Organization of American States (OAS) and the Inter-American Dialogue. The CEO of Nafinsa, Jacques Rogozinski, participated in session V “What is happening with the Regional Integration of Latin America?”

Inter-American Development Bank (IDB)

Nafinsa, jointly with ALIDE, the IDB and the Economic Commission for Latin America and the Caribbean (ECLAC) organized the workshop “Opportunities and modalities to Access the Green Climate Fund: lessons learned about Green funds”, held on April 20 and 21, 2015, at Nafinsa facilities. The objective was to exchange experiences in the access to green funds for national development banks and build a portfolio of projects for the Green Climate Fund (GCF), to contribute to the strengthening of institutional capabilities to access GCF resources. In

this workshop, there was participation of officials and specialists in climate funding of 16 countries and of more than 40 institutions, including representatives of GCF itself.

Institute of International Finance (IIF)

Nafinsa affiliated to IIF in March 2015 in order to receive financial and economic information for decision making.

UK Green Investment Bank (GIB)

In October, officials from Nafinsa performed a series of activities in London, Great Britain, to release the work of the institution to fund the sustainable development of Mexico. Nafinsa signed a Memorandum of Understanding with the UK Green Investment Bank (GIB) on October 7, at Portcullis House. The objective is to share experiences and best practices for Mexican and British enterprises involved in projects of renewable energy and energy efficiency, as well as to share information related to possible projects. As part of the cooperation activities between Nafinsa and the GIB,

both institutions worked in the release of the Spanish version of the Manual of Ecological Investment. The document summarizes the English version prepared by the GIB.

London School of Economics and Political Science (LSE)

The past October 5, within the framework of the Dual Year of Mexico-United Kingdom, the CEO of Nacional Financiera, and the Dean of the London School of Economics and Political Science (LSE), signed a Memorandum of Understanding in London, United Kingdom. The cooperation instrument looks forward to having information and knowledge exchange at areas of interest for Nacional Financiera and the creation of collaboration mechanisms, as well as the research internships which allow to strengthen capabilities on topics of green funding, financial inclusion and SME entrepreneurial development with gender perspective.

Green Climate Fund (GCF)

On October 7, 2015, the Ministry of SHCP, acting as National Designated Authority (NDA) before GCF, presented the official nomination of Nafinsa to start the accreditation process as National Implementing Entity before the Fund. On November 24, Ousseynou Nakoulima, in representation of the Fund, granted its approval to the nomination of the NDA.

In order to strengthen the capabilities of institutions in process of accreditation, the Fund grants financial resources through the Readiness Programme. Nafinsa stated to the NDA its wish to access such funds. The SHCP informed the Fund about its approval so that Nafinsa uses these resources through a consultancy agency. On December 15, the Ministry of GCF approved that PricewaterhouseCoopers (PwC) performs the Readiness Programme.

The first step in the accreditation process implied the request of an electronic signature, as a communication bridge with the Fund. The working team, comprised by International Cooperation and Nafinsa, has compiled initial docu-

mentation, formats and communication documents required to request from the Fund, an account to access their Online Accreditation System (OAS). Furthermore, the team has filled out online and physical questionnaires at the request of the Fund to start the works of the Readiness Programme.

Bancóldex (Colombian Entrepreneurial Development Bank)

Bancóldex and Nafinsa keep a close relation through the International Development Finance Club (IDFC) and other spaces of exchange, such as the workshop one “Opportunities and modalities to access the Climate Green Fund”. Derived from the relation between both institutions, in November 2015, Bancóldex expressed its interest to carry out an exercise of knowledge exchange with Nafinsa, since they are in process of restructuring and redefining new institutional strategies. In this sense, they have requested an internship to strengthen their institutional capabilities based on experiences and best practices that Nafinsa has carried out.

***Best Practices Program
for Development Banking:
Nafinsa Model***

In order to promote and internationally position Nafinsa, they developed the “First International Program on Best Practices for Development Banking: Nafinsa Model”. During three days, the executives of this institution shared with top-level executives from 14 international financial organizations and development banks from Europe, Asia and the Americas, their experience and practices as development bank within its target market.

It is the first time that Nafinsa develops an international program of this kind.

The aforementioned is precedent for the bank, so strengthening its relation with other institutions and exploring international cooperation areas.

Financial Agent

As of December 31, 2015, the portfolio of Financial Agent is comprised by 17 loans: six from IBRD, eighth from IDB and three from the International Fund of Agriculture Development (IFAD). As well as 10 donations: eight from IBRD and two from IFAD, with a global balance of 3,717 million dollars.

In 2015, six loans and two donations closed their execution according to the following details:

Loan No.	Project Name	Closing Date	Amount million dollars
2285/OC-ME	Program of Community Education, Phase II: Builders of Equality.	13-Oct-15	100.00
2513/OC-ME	Program of Decent Schools.	28-June-15	350.00
3201/OC-ME	Program for Strengthening Public Finance.	31-Dec-15	800.00
7501-ME	Project of Integrated Energy Services.	30-Oct-15	15.00
7571-MX	Project of Development of the Information Technology Industry.	31-Dec-15	80.00
8314-MX	Third Loan for Development Policies on High School Education in Mexico.	30-June-15	300.75
Total			1,645.75

Donation No.	Project name	Closing date	Amount million dollars
TF-91733	Project of Integrated Energy Services.	30-Oct-15	15.00
TF-98465	Project of Efficiency in Lighting and Home Appliances.	30-July-15	7.12
Total			22.12

During 2015, three loans and a donation became official:

- The first one for an amount of 350 million dollars with the World Bank to support the Project of School Management, to be executed by the Ministry of Education (SEP, in Spanish).
- The second one for an amount of 350 million dollars with the IDB to support the Program of Educational Physical Infrastructure, to be executed by the National Institute of Educational Physical Infrastructure (INIFED, in Spanish).
- The third one for an amount of 150 million dollars with the World Bank to support the Project for Reduction of Inequality of Education Opportunities, on September 14, 2015.
- The donation for an amount of 17 MDD with the World Bank to support the Project of Development of Sustainable Energy Technologies, where the Ministry of Energy is in charge of, on May 8, 2015.

Derived from the aforementioned, attention was provided to 50 supervision

missions, from which, 20 of them were field visits. It is worth highlighting the visits made by officials from IBRD, to observe the progress in the construction of solar farms of the Project of Integrated Energy Services funded by such organization at the state of Durango, emphasizing that so far, there are 26 solar farms in operation. Nafinsa, acting as Financial Agent, worked jointly with the CFE and the Sener, by providing technical assistance and training on matters of acquisitions, so that the contracting process for the solar plants is held according to the standards applicable on matters of acquisition with external credit, agreed upon between BIRF and the Ministry of Public Administration (SFP).

The main sectors funded by the financial organizations are: energy, agriculture, social, education, environment, climate change and health. Disbursements as of December 2015 accounted for 1,175 million dollars, while the income for commissions charged as Financial Agent accounted for 216 million pesos.



TREASURY AND MARKETS

Treasury Collection

In order to ensure that the institution always has sufficient resources and to be able to spread them to different business areas under the best conditions of cost and term, the Treasury shall carry out a collection strategy based on diversification of the funding sources and in performing operations derived from coverage.

By giving continuity to the strategy started in the last quarter of 2013, in fiscal year 2015, the Treasury has issued Security Certificates of Development through Syndicated Tenders, which has allowed to:

- Improve liquidity conditions.
- Develop the debt curve of the Development Banking at longer terms by transmitting the benefits of funding the industry.
- Promote the integrated development of the security market and of the national financial system.

- Foster the efficiency of local markets of public debt, seeking, at all moments to make efficient the process of price discovery.
- Have a larger participation of investors.
- Improve the operating dynamics in the secondary market of these instruments.

At the closing of 2015, there were in circulation 36,000 million pesos of Security Certificates of Development Banking, from which 11,000 million pesos were issued at three years and at a reviewable interest rate and 25,000 million pesos at the term of 10 years and a fixed interest rate.

As for collection in foreign currency, it remained in used as the main vehicle for the Program of Deposit Certificates of the London Branch, deposit at a certain term of the Promotion Desk and the lines of Working Capital. Additionally, two medium-term issuances were agreed upon

for an amount of 30 million pesos with a due date in July 2017 with the support of the program of Deposit Certificates.

Green Bond

On October 29, 2015, Nacional Financiera marked its return to international markets, after 18 years of absence, with the issuance of the first Mexican Green bond for 500 million dollars with a due date in 2020.

The issuance of the Green Bond shows the commitment of Nafinsa with sustainable development and mitigation of climate change, because the collected resources will be aimed exclusively to fund wind parks, positioning us as the strategic development bank to comply with the objectives of the Federal Government on the topics related to sustainable development.

This transaction had a strong impact by being the first green bond of Latin America in getting the certification of Climate Bond Initiative and for being included in some of the most important international indexes. Issuance had a good acceptance among investors, and it

was reflected on a demand of 2,500 million pesos and the diversification of the book by region (32% Europe, 13% Asia, 15% Latin America and 40% the United States) and by type of investor, from which 40% were green investors.

Balance Management

We kept the strategy of minimizing the exposure of the balance of the institution to movements in interest rates, the coverages necessary to protect the income that the bank receives for financial margin, so complying with the objective of the Treasury of ensuring that balance risks are found within the approved limits, being able to strengthen the bank capital.

Investments

In national currency, there is the portfolio at structured due date, mainly with titles of the Federal Government, which supports the generation of income, the liquidity portfolio comprised mainly by Governmental securities, and which is used as warranty in the payment systems of Banxico, as well as by a portfolio of corporate securities that

contributes to the private debt market development.

Profit generation through financial margin in US dollars has come from investment portfolios at a certain due date, and available for sale: strategic assets which have been maintained as some of the coverage instruments of the institutional balance, by hosting long-term collection lines. Both portfolios are maintained, practically in full, in investments of issuance from the Federal Government (UMS), as well as of national state-owned companies like Pemex and CFE. In 2015, investment portfolios in foreign currency achieved income close to 140 million pesos.

As for the liquidity portfolio in foreign currency, taking advantage of the conditions at the international markets, it has kept as the main strategy the one of optimizing profitability of surpluses in US dollars, by means of the execution of synthetic investment in pesos.

London Branch

The Branch, regarding its Program of Deposit Certificates (CD, in Spanish),

has kept its efforts, both in the promotion and search for new customers, as well as in the placing and issuance at longer terms to improve the profile of terms of the institution, being able to obtain the lowest costing for funding in foreign currency for Nacional Financiera, a situation that has characterized the CD Program.

As for this, it is highlighted that, in the months of June and July, two issuances were made at a term of two years in US dollars, with which new investment horizons are opened for a range of investors with some like for Mexico risk at terms longer than one year.

In June 2015, the Program attained a historical balance of 1,965 million dollars, with which it practically reached the maximum authorized amount of issuance under the program, which is of 2,000 million dollars.

Furthermore, as a support of the promotion and sale of CDs, during the month of March, we got for the CD Program, the rating of BBB+/A-2 by the rating Agency called Standard & Poor's. And then, during the second semester, it also



received the ratings of Moody's and Fitch agencies.

Collection of CD has contributed to an important amount of resource collection in foreign currency and it has been reflected in profitable operations for the institution, so contributing to keep a sound financial position and presence in the international markets.

The Branch has kept the strategy of rationalization and optimization of resources, operating with a minimum structure, establishing a proper and strict control of its management and expenses, as well as the operation in total compliance with all the provisions of local regulatory type.

Markets

Market Promotion

Nafinsa's strategy and the new goals for measuring income as support to the desks of Money, Exchange and Treasury consist of:

- Differential of rates in operations of reporting in corporate and banking role (Not Nafinsa) and the direct governmental ones on the Money Desk.

- Differential of rates in operations in direct governmental and corporate at the National -Treasury.
- Differential of rates in operations of trading such as Market Promotion.
- Differential of rates in collection of US dollars and national currency for the International Treasury.
- Differential of prices of currency purchase-sale on the Foreign Exchange Desk.

Such strategy was achieved through constant work of promotion with investment funds, Afores, insurance companies and with the main public and private treasuries of the country, offering them the institutional financial services and several banking, governmental and corporate instruments, at short, medium and long terms, supporting, importantly, the institutional needs of collection at competitive levels of the market.

Such activity generated new business opportunities and it allowed keeping an active link with our most representative customers, so contributing to the increase of the customer portfolio.

During 2015, the Derivatives Desk supported the institution all along three action lines: in developing financial markets, it has consolidated as the forming factor of the market in the stock of MexDer derivative for the contract of future governmental Bonds; in Risk Management, the Desk has executed more than 80 coverage operations which allow to protect the income that the bank receives as the item of financial margin; and in income generation, they executed trading and arbitration operations which allowed to support desks of Money, Foreign Exchange and Capital with the execution of derived operations which allowed them to take directional positions.

Investment Funds

Nafinsa Fund Operator continued working on the fulfilment of the objective of fostering access to the security market of small and medium investors, through the distribution of stocks of the 11 funds it manages, with 31 agreements signed with 25 commercial brands in the stock market. However, the volatility markets had during 2015 caused average mar-

kets managed by Nafinsa Fund Operator to diminish 7.5% by passing from 33,409 million pesos in 2014 to 30,886 million pesos in 2015.

Cetesdirecto

During the period from January to December 2015, continuity was given to the positioning works of Cetesdirecto through a release campaign at several electronic, printed and urban communication media; and they also developed new functionalities such as mobile applications (App) for mobile devices with Android and iOS by Apple operating systems, as well as the specific application for tablets, which will allow the public to have easy and safe access to the distribution channel of Governmental Securities Cetesdirecto. Likewise, permanent presence has remained at the social networks, the Interactive Museum of Economy (MIDE, in Spanish), KidZania educational-entertainment center and in several expos in Mexico, where the new product “cetesdirecto niños” is promoted, which is focused on fostering and releasing a saving culture since childhood.

Additionally, following the institutional culture of quality and innovation, work has been done on a technical and operating continuous improvement process of the product, aimed for the customer's satisfaction. Synergy of all these efforts has contributed to the progressive consolidation of the presence in

the financial field, of Cetesdirecto. During the year 2015, there was an increase of 49.3% in the number of registered customers, by passing from 113,938 on 2014 to 170,120 on 2015, highlighting that the total number of contracted customers in this year, 23,714, surpassed the yearly outstanding goal of 17,000 customers.



LEGAL AND FIDUCIARY OPERATIONS

Corporate and Business

Its objective has been to give certainty to legal processes involved in granting credit, financial and risk capital markets, and international and advisory matters. Also, assistance was given to various departments of the institution in preparing and reviewing contracts for national and foreign operations.

The legal activities led to some important results, including the following: the implementation of Nafinsa's syndicated auctions, with the placement of 22,000 million pesos; participation in the formalization of issuances; implementation of updates to the Program for Direct Sale of Certificates to the Public (SVD), including consultation and review of legal instruments required by authorities, other entities in the financial sector, clients and service providers; as well as the formulation of advices towards financial authorities in compliance with applicable provisions, updates and services corresponding to the Securities Debt Support Program.

Tasks also included the review, negotiation, validation and updating of framework contracts for Operations to Buy-Sell Stocks and Repos, and Contracts for Banking Deposits of Titles in Commercial Commission and Administration; legal services for business schemes and advisory services in the areas of corporate banking, Financial Agency operations and financing with international elements, granted by the institution or that it anticipates receiving; and the execution of Securities Collateral and Deposit contracts for formalizing the constitution of guarantees, when credit lines and discount lines are granted by Nafinsa through the corresponding entities.

In addition, framework contracts were formalized for Derived Financial Operations and ISDAS (International Swaps Dealers Association Master Agreement), executed with several local and foreign financial institutions, with special support to the process of migrating the re-

spective system. Legal advisory services were provided for the audits conducted by various authorities. Support was given to develop the terms of Nafinsa's operations instruments as a Federal Government Financial Agent.

Legal advisory services were provided, together with support for implementing the Secondary Market Auctions Program (SUBASEC, in Spanish) to promote liquidity in corporate and government debt securities, including hiring activities with intermediary participants and brokerage firms that provide negotiation systems.

Legal advisory services have been provided to prepare the documents necessary for Nafinsa's participation in several corporate financings and energy infrastructure.

Legal advisory services were offered for the instrumentation and implementation of the Green Bond issuance in international markets according to Rule 144 and Regulation S, under the U.S. Securities Act of 1933.

As a result of the new businesses initiated by the institution, it has been

necessary to create legal instruments for developing corporate business schemes, which have allowed Nafinsa to participate in syndicated loans and to grant financing to projects for generating wind energy and other alternative energies.

Several legal actions have been taken in order to formalize loans granted under the protection of the MIDAS program.

Revision and negotiation of the financings (loans and donations) granted by International Financial Entities among which the Entrepreneurial Eco Credit Program stands out.

Legal advisory is provided to the Entrepreneur Capital Trust Fund to formalize the winning funds of the INADEM tenders.

Nafinsa has also signed cooperative agreements with various institutions such as the National Chamber of Transformation Industry (Canacintra), Pemex, National Trust Fund for Tourism Development (Fonatur) and Mexican Confederation of Business Owners (Coparmex). Loans have been allocated from Nafinsa to Pemex, Rural Finance and National Fund Institute for Workers' Expenditures (Infonacot), among other important operations.

Governmental Regulations

The institution properly complied with the government regulations applicable to its National Banking Corporation nature, observing the preparation of the legal instruments to achieve the proper development of activities of the various departments of the institution.

Derived from the Financial Reform, it is informed that the corresponding procedures to get the authorization of the SHCP for the comprehensive modification of the Organic Regulations of Nacional Financiera, National Banking Corporation, Developing Banking Institution, proposed by the Board of Directors was held. Said Organic Regulations were published in the Federal Official Gazette on August 25, 2015.

Regarding the functions that the department has as liaison before the Federal Superior Auditing (ASF, in Spanish), all the information requirements were timely answered and the preliminary and final results presentation meetings of seven audits of the 2015 Public Account were attended.

Federal Law on Transparency and Access to Public Government Information and the new General Law on Transparency and Access to Public Government Information

Nafinsa, in attention to the Transparency Unit during the period from January to December 2015 carried out various actions, for example, the coordination for updating the information published on the website for Transparency Obligations. Regarding the procedure for access to information applications, the Institution received and responded to a total of 292 requests for access to information during 2015. The most frequent topic of these requests refers to the results of Nafinsa's primary activities, as well as trust funds and services hired by the institution. Also, 13 review resources to the National Institute for Transparency, Information Access and Personal Data Protection (INAI, in Spanish), were responded, of these six were resolved during 2015, according to the following: two revocations, one modification and two dismissed applications.

46 administrative areas were coordinated to issue their update of their



Reserved Files Index corresponding to the first semester of 2015 and regarding the established in the Personal Data Protection Guidelines; during 2015 the institution reported a total of 29 electronic and/or physical systems registered.

Finally, regarding the General Law on Transparency and Access to Public Government Information published on May 4, 2015, this was made available to the whole institution through the institutional mail and a meeting was held with the Transparency and Archive liaisons in which its importance was exposed. Also, several internal and coordination managements have been held with the Federal Public Administration in order to fulfil the new transparency obligations that will be implemented as of May 2016.

Legal and Collecting Disputes and Credit Department

This year the commitment to promote and direct legal actions that contribute to achieving the objectives of Nacional Financiera as a development banking, in line with the applicable legal regulatory framework was ratified, by providing

legal services, recovery of the disputed portfolio, and the design of legal defense strategies for preventing or minimizing economic impacts.

It has thus been possible to diminish the amount of the disputed portfolio and the contingencies derived from legal proceedings brought against the institution, reduce accounting provisions and apply the liberated resources to projects with economic and social impact.

In the bank formalization services, the clients' file review process was optimized, homologating the institutional criteria, providing more flexibility for loans access from the MSMEs and Financial Intermediaries and strengthening the legal certainty for the institution.

Also, several products were renewed and flexible operations were created in order to comply the banking regulations, as well as with the mandate as Development Banking including: (i) the creation of the selective guarantee single contract, (ii) the financing instrumentation in pure leasing operations with special trust funds, and (iii) the preparation and creation of cooperation agreements

models at national level with several entities to promote the Credit for Young People Program.

On the other hand, the automation actions implemented, additional to the incidence controls of the services and received and answered applications registry, is still increasing the legal services quality in matter of contracting, which this year reached an average 99% of timely applications response.

Continuity has been successfully provided to the coordination of a single point of entry to legal services in relation to banking formalization, as the front for the Legal Disputes and Credit Department, Corporate and Business Legal Department, and Fiduciary Department, in relation to the institution's business areas.

Fiduciary Operations

At the end of 2015, Nafinsa manages 479 businesses, which patrimony in trusts reached a figure of 1.11 billion pesos, representing a 2.5% increase over the amount for the end of 2014. This amount means the double of the patrimony in trusts total administered by the rest of

the development banking institution.

From the patrimony managed, 264 billion pesos (24%) correspond to liquid resources in trusts, of which 113 billion pesos are invested in the institution's Money Desk and four billion pesos in Nafinsa's Funds Operator, meaning a 10% increase in the liquid investment of the institution's fiduciary businesses, when compared to last year. Of the remaining resources, 86 billion pesos are deposited in the Treasury of the Federation and 62 billion pesos with other financial intermediaries.

During 2015 the composition of the businesses inventory was improved through the extinction of 21 trust funds that achieved their purposes and the fiduciary substitution of two non-profitable businesses, as well as the incorporation of 10 profitable trust funds that will contribute with five monthly million pesos in the fiduciary revenue for 2016.

During the year, the revenue resulted from fiduciary activities rose to 196 million pesos, or 10% above the amount obtained in 2014. Integrated by 188 million pesos corresponded to professional fees for fidu-

ciary services, and eighth million pesos to commissions for safekeeping and administration of securities and cash.

During 2015, Nafinsa, in coordination with the National Council of Normalization

and Certification of Labor Competences (Conocer-SEP, in Spanish), completed the first fiduciary competencies standard, which was published on the Federal Official Gazette on December.



-205.68.325.20-225.35.205.35-205.25.555.65-305.65.505.25-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-205.68.325.20-225.35.205.35-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-172.25.605.25-172.35.605.95-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-205.68.325.20-225.35.205.35-205.25.555.65-305.65.505.25-

-205.68.325.20-225.35.205.35-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-205.68.325.20-225.35.205.35-

-205.68.325.20-225.35.205.35-205.25.555.65-305.65.505.25-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-124.65.258.66-

-205.68.325.20-225.35.205.35-205.25.555.65-305.65.505.25-

-124.65.258.66-

-205.68.325.20-225.35.205.35-205.25.555.65-305.65.505.25-

-205.68.325.20-225.35.205.35-

-124.65.258.66-

-205.68.325.20-225.35.205.35-

OPERATIONS SUPPORT

Quality Management and Organizational Culture

With the goal of maintaining the institution's dynamic of growth and qualitative changes, Nafinsa maintains its strategy of ongoing improvement in its Quality Management System, in developing human capital, in strengthening risk management, and in the incorporation of an appropriate systems in its technological platform for efficient operation of its programs.

Quality Management System

With 15 years of operation, Nafinsa's Quality Management System (SGC, in Spanish) has been consolidated as an ongoing tool for analysis, evaluation and improvement of processes. It has been useful to develop and cover regulatory elements and institutional observance, including the internal control model, operational risk management, and compliance with the various programs implemented by the SHCP and the SFP,

including the Program for Accessible and Modern Government (PGCM, in Spanish).

In late November 2015, an external quality audit was conducted; therefore, the institution got an extension of its certificate of compliance with stipulations in Standard ISO9001:2008 for another year period under the standard in force.

Quality Operative Committees

One of the most important foundations of the SGC management is the participation of the Institution's personnel in the self-management of their quality processes.

As of December 2015, 38 Quality Operative Committees (COCs, in Spanish) were installed which held session at least one time during the quarter.

Human Capital Development

Talent detection and gender equity

Nafinsa has a model for managing human capital that is based on the development of competencies and the ongoing



PRICE MOMENTUM

SOYBEAN OIL
OPEN INTEREST 82709
CBOT

PRICE MOMENTUM

LUMBER
OPEN INTEREST 4829
CME

PRICE MOMENTUM

CANADIAN DOLLAR
OPEN INTEREST 81246
IMM

VOLUME
10000
5000

VOLUME
24000
12000

NOVEMBER
CLOSE 0.7173
OPEN 10th 0.96
0.93
0.90
0.87
0.84
0.81
0.78
0.75
0.72

0.8181
1.00
0.98
0.95
0.92
1.90
.88
.95
3

Jan09 PRICE MO %F=12.1 %S=20.9

Jan09 PRICE MO %F=28.6 %S=46.5

Dec08 PRICE MO %F=19.9 %S=

0.05 -60.0

73.0
75
50
25
7
14
21
192
3.46
4.50
60.34
74.94
8.31
68.61
54.62
1.54
7.3
75.74

9.8
8.8
8.2
7.8
7.4
6.7
6.4
5.8
5.1

75
50
25
14
31.0

NOVEMBER

OCTOBER

SEPTMBER

AUGUST

PRICE MO %F=19.9 %S=

399

COTTON
OPEN INTER
NYBT

evaluation of personnel's potential. This made it possible to cover 40% of vacant positions during 2015 with personnel already working in the institution, thereby reducing recruitment costs and optimizing investment. Also, vacant positions were covered in accordance with public policies corresponding to government programs and designed to promote gender equity, gaining the promotion 44% women.

Also, there is a program to promote the development of talented young people, through professional practical experience and social service. As a result, 30 people

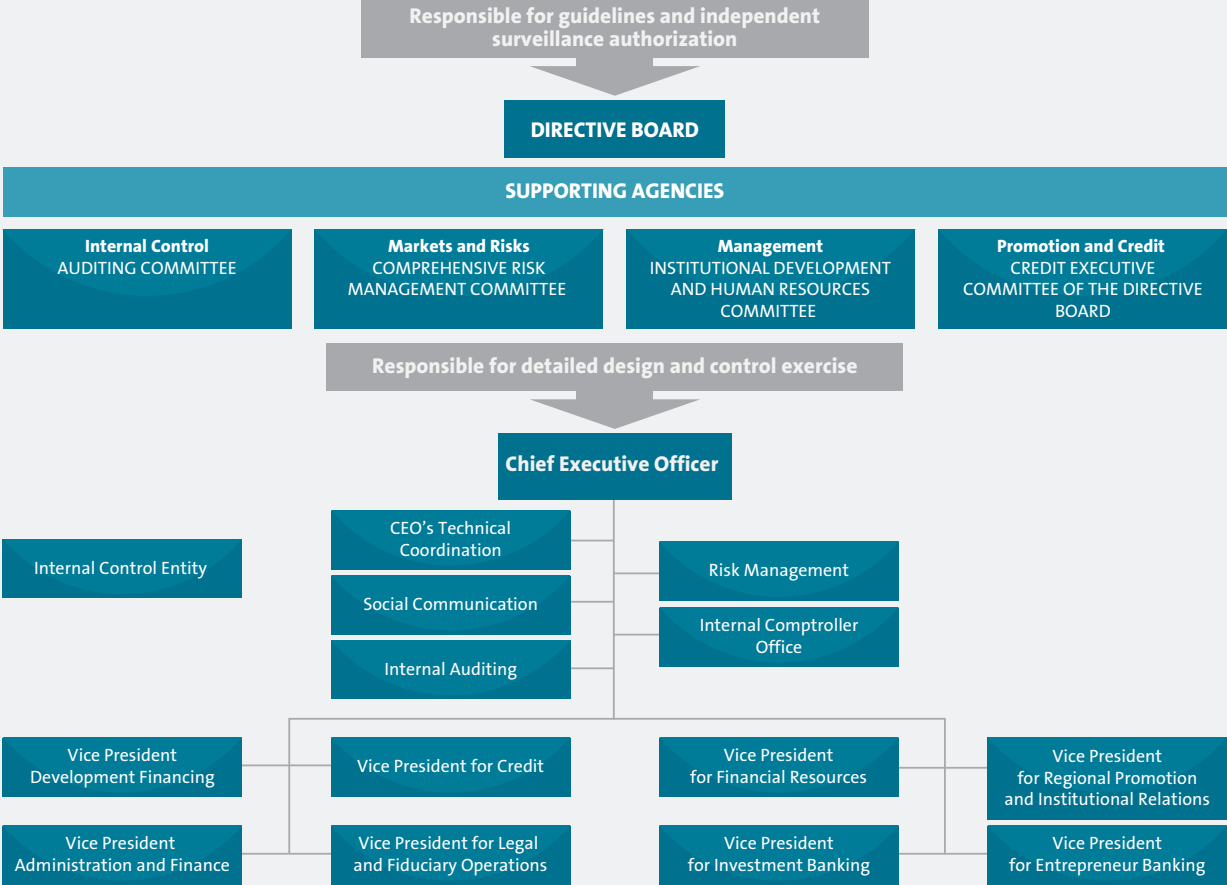
for ongoing positions were hired, representing 21% of those hired during 2015.

Priority training programs

A training program aimed to strengthen position competencies was defined, formed of open and closed courses that include technical, administrative and personal development topics.

Also, several customized training, certification and update programs were held, which allowed the specialization of the Nafinsa employees in technical aspects that define the developing banking.

Government Structure of Nacional Financiera



Corporate Governance

Nacional Financiera's corporate governance structure, which is the foundation for its Internal Control System (SICOI), is composed of a Board of Directors as the highest-level decision-making body, with its activities supported by a number of committees, in which external members participate with the aim of achieving greater objectivity and healthy equilibrium in decision-making, adhering to the best practices in corporate governance.

Internal Control System

The objective of the SICOI is to assure that the institution has, within its general operational strategies, mechanisms and standards for ongoing evaluation, assuring that they are implemented with reasonable security in three main categories: effectiveness and efficiency in operations, reliability and opportunity of information, and compliance with regulatory policies and provisions, which is sought through the internal control components: control environment, risk management, control activities, information and communication, and

operations supervision and surveillance, which are applied specifically at planning, organization, execution, management, information and process management follow-up levels, to provide certainty to the decision-making and the achievement of its objectives and goals in an ethical, quality, continuous improvement, efficiency and law enforcement environment, according to the provisions set forth in this document, including the evaluation of the internal control system itself.

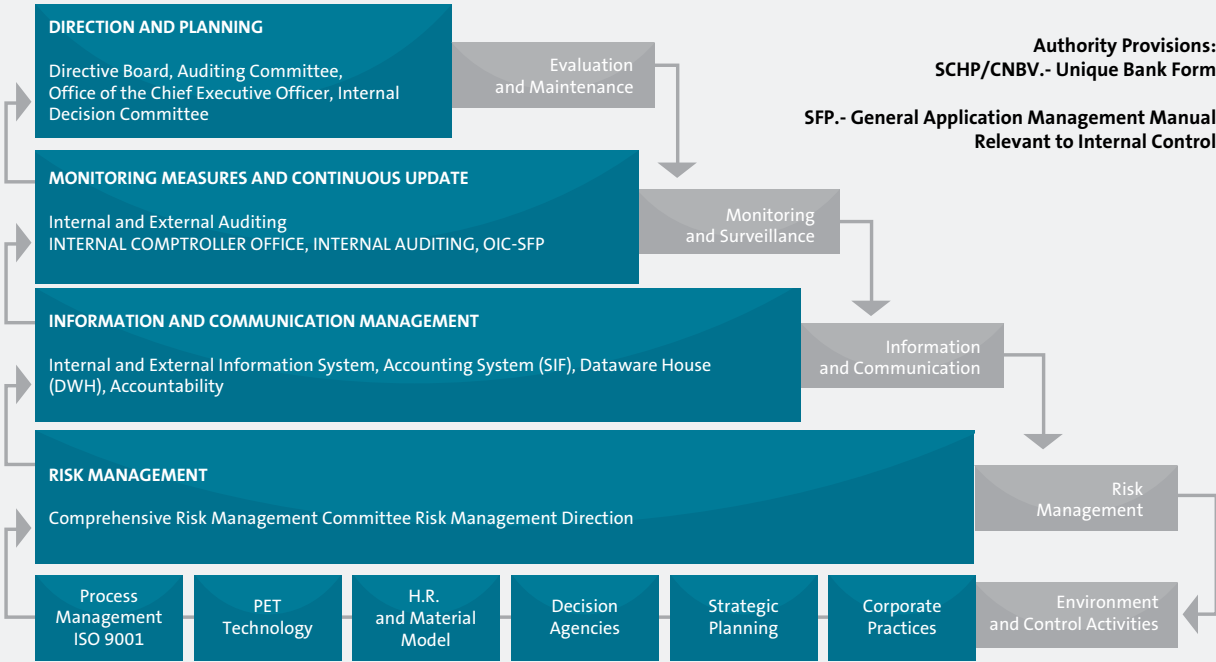
Internal Comptroller's Office

During 2015, Nafinsa confirmed the internal control compliance in the execution of the institutional processes with the application of Control Routines Agendas (ARC, In Spanish). The occurrences of internal control detected through the activation of control alerts, in general terms were lower and of operative nature, having been closed almost on every case, whose registry is entered in the Internal Control Administration System (SACI, in Spanish).

Also, based on the institutional inventory of macro processes, the depart-

Nafinsa's internal control concept scheme

Nafinsa consolidates its Internal Control System by adopting the best corporate practices



ments of the institution has identified 19 critical processes, on which their work plan was integrated and the visits process for the compliance verification of the activities comprising such processes were made, as well as the effectiveness of the controls registered in the internal control tools (ARC), for such end the following activities were performed:

- Design or redesign of the control tools.
- Implementation of new internal controls that reduce the risks identified during the verification visits.
- Documentation of activities performed through the implementation of work certificates obtaining the signature of the responsible of the process, the immediate chief and the Internal Comptroller's Office that participated in the updating works or the verification visits.
- Application of the efficiency evaluation methodology of internal control of the processes as a result of the process verification visit.

The Internal Comptroller's Office coordinated together with the departments'

head offices, the update of the regulatory document of institutional compliance "Guidelines for the Institutional Model of Internal Control", which governs the institutional operation of internal control.

The previous document was approved last October and issued to the personnel for its acknowledgment and application in November 2015.

The Preventive Control of Regulatory Reports and Information Requirements was implemented into the Internal Control Management System, which allows a timely follow-up up to its compliance.

As a result of the supervision of compliance of the provisions in matter of investment services, it was verified that the participating departments have the evidence necessary to support the compliance of the standard concluding there are adequate control mechanisms for the performance of operations in matter of non-advisory investment services provided by Nafinsa.

The Money Laundering and Terrorism Financing Prevention Training Program, corresponding to 2015, was held and ended successfully in October with

a 100% participation of the personnel, so no notice of warning was issued.

Internal Auditing

The Internal Auditing Department prepared and fulfilled its Annual Work Program, which was aimed to the practice of audits to substantive activities of the institution, such as loans, financial markets, trust funds and risk management, among others, in which in general terms had the purpose to verify the compliance of the regulations established by the National Banking and Securities Commission (CNBV, in Spanish) and the Bank of Mexico; verify the compliance of programs and goals; verify the administration of the risks inherent to processes; and strengthen the Internal Control System.

According to the aforementioned, the activities of the Internal Auditing Office covered the following aspects.

1. Audits

Eleven audits were performed, of which seven were regulatory, according to the following: i) four to the

loans processes, ii) two to Risk Management, according to the provisions stipulated by the CNBV and, iii) one to the Derived-Financial Instruments according to the regulation of Banxico; the remaining four are integrated to a Money Market, another to Trust Funds, one to Marketing and Advertising, and one more to Regional Promotion; in addition to three quarterly follow-ups in attention to the determined remarks.

During the development of the reviews there was interaction with the audited departments in order to inform the responsible parties the results and added-value proposals that allow addressing the remarks, as well as the recommendations determined to strengthen the Internal Control System.

2. Auditing Committee (CA, in Spanish)

The Internal Auditing Office, as of March 2015, supports the Auditing Committee activities, among which the logistics sessions and agreements follow-up stand out.

3. *Participation as regulatory advisors in the sessions of the decision-making entities (committees)*

In accordance with the regulatory provisions, there was participation in the sessions held by the Risk Integral Management Committee and the Communication and Control Committee. Additionally, as of March 2015, the Loans Internal Committee also intervenes as regulatory advisor and promotes the transparency and accountability in the institutional management.

4. *Monthly review of variations in the Institution's Financial Statements*

A monthly comparison of the submitted balances was performed in the formalized General Balance from previous month opposite the preliminary figures registered in the Accounting System (SIF, in Spanish) that month, determining the increases and decreases of the balances, in order to evaluate the reasonableness of the sectors with the main variations.

Computing

Continuous improvement in the Operation

- A 100% update of the Local Area Network (LAN) infrastructure at every Nafinsa's office.
- Implementation of the Central Infrastructure Consolidated Service.
- Migrating of the Alternative Data Centre.
- Implementation of the Video Collaboration Room (Lync Room System) for virtual meetings and online collaboration.

Among the internal developments implemented this year, the following stand out:

- **Ver. 15.0 Internal Control Administration System (SACI, in Spanish).**

The project consisted in the generation of reports with Excel or plaintext file export option, in order to handle and extract necessary, timely and verified information to prepare executive reports.

- **Ver. 15 Guarantees and Loans Management System (GESOL, in Spanish).**

This project was developed using the Loans Process System (PDC, in Spanish) as reference, for the management and follow-up of the First-Tier, Second-Tier and guarantees loans applications, controlling its status in five loans process stages (Promotion, Analysis and Decision, Formalization, Release and Withdrawal) benefiting from available and timely decision-making information for the senior management.

- **Datamart for Liquidity Analysis.**

For the instrumentation of this proj-

ect a data model that allows consolidating and using the information required to analyze, monitor, control and follow-up the liquidity risk associated to the institutional balance was created, fulfilling the regulatory requirements of the unique bank form of the CNBV in risks matter.

- **Ver. 15.0 Equipment Inventory and Furniture System (SIME, in Spanish).**

This project consisted in the analysis, development and implementation of the registration, management and control of the information associated to the inventory of furniture and equipment property of the institution.

FINANCIAL RESULTS

Despite the uncertain context and diminishing economic activity, the institution got a net profit of 1,254 million pesos, equivalent to a 5.2% nominal return on capital during 2015. This way, the equity capital amounted to a total for the end

of the year of 24,096 million pesos, representing 5.0% nominal growth against the total revenue of the previous year.

In addition, the bank's financial situation demonstrates solid indicators, including the following:

Indicator	Dec.'14	Dec.'15
Overdue Portfolio / portfolio with risk	1.35%	1.17%
Reservoirs / overdue portfolio	193.7%	211.2%
Growth of the financing granted to the Private Sector (nominal)	-7.1%	-6.5%
Financing granted to the MSMEs / Private S. Financing	80.3%	82.4%
Financial Penetration (Amount or private sector portfolio / GDP) ¹	1.65%	1.76%

1/ Mexico's GDP for December 2015 (real data was used at the third quarter of 2015)

Evolution of the overdue loan portfolio at risk

The Operative and Financial Program 2015 considers, within its main indicators, maintaining low levels, and when possible, reduce the overdue loan portfolio at risk.

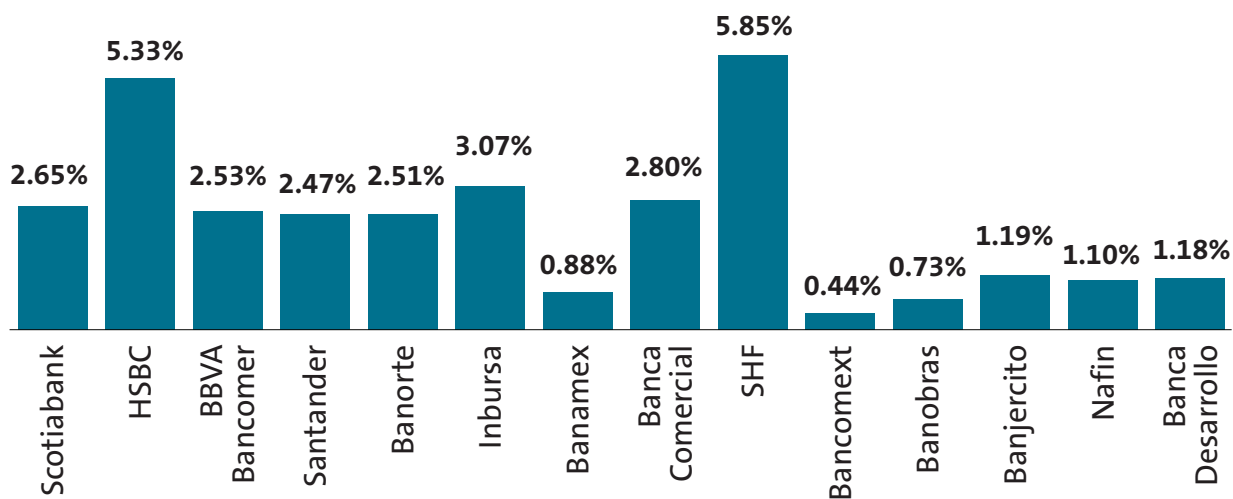
At the end of December 2015, the loan portfolio was at 171,593 million pesos, of which 1,894 million pesos corresponds to the overdue loan portfolio, signifying an Overdue Portfolio Index (OPI) of 1.10%.

The overdue loan portfolio at risk, at the end of 2015, was at 1,894 mil-

lion pesos, concentrated primarily in the Financial Intermediaries Mod. “B” with 1,705 million pesos (90.04%), Ex-employees with 18 million pesos (0.93%), Programs with 171 million pesos (9.00%) and Emerging 0.5 million pesos (0.02%).

Also, 82.7% of the overdue loan portfolio (1,566 million pesos) is concentrated in the “AAA” Trust Funds, with activity in Housing Development. This situation has caused the Institution to register the highest overdue loan rates in the last 10 years.

Overdue Bank Portfolio



Comparison with other banks

The OPI of 1.10% in December 2015 places Nafinsa just above other development banks, with the exception of the Federal Mortgage Society (SHF), which has an OPI of 5.85%.

However, Nafinsa compares favorably with the 2.8% of the commercial banks of December 2015, as well as with the main commercial banks: Inbursa, Banorte, Santander, BBVA Bancomer, HSBC and Scotiabank, except for Banamex.

The portfolios of banks and Modality “A”, Public Sector Financial Intermediaries and Decentralized Entities, which make up 51% of the total portfolio at risk, is maintained without an overdue loan portfolio.

With the exception of the trust funds assisting Housing Development, the levels of the overdue loan portfolio have been contained and reduced, basically as a result of the continuity in planning strategies implemented, among which the following stand out:

- Issuance of early alerts, as a result of the supervision visits and follow-up of the first and second-tier

portfolio, which favor the timely decision-making.

- Direct payment collection, through visits programs to the borrowers homes that have a higher recovery risk, negotiating payment proposals or loan restructuring, with the previous authorization of the licensed entities.
- Strategies of preventive reserves and loans penalties application, authorized by the Board of Directors.
- More control and follow-up in the overdue loan portfolio administration through the Recovery and Follow-up and Workout System, which has allowed a close approach, negotiation and follow-up of the portfolio with overdue amounts important for both intermediaries and first-tier companies.
- Specific training to the personnel responsible of the Supervision and Follow-up of the First-Tier, Second-Tier and Selective and Securities Guarantees Portfolios, as well as to the Portfolio Recovery personnel, in order to increase their knowledge and abili-

ties directly related to their functions (personnel competencies).

Thus, the institution has brought together a team of executives specializing in payment collection, supervision of first and second-tier loans and projects, as well as selective and securities guarantees, and this has enabled the institution to limit and reduce delinquency rates, through both prevention and correction.

Overall Situation

As of December 2015, the institution's assets had reached a total of 359,158 million pesos, financed with liabilities in the amount of 371,062 million pesos which, in turn, consist of 135,792 million pesos from repo creditors, 184,342 million pe-

sos corresponding to internal debt, and 50,928 million pesos corresponding to external debt and other liabilities.

In addition Nafinsa has a Financial Agent balance of 291,883 million pesos, an amount representing a growth of 50,849 million pesos during the year, equivalent to 21.1%. The balance for stand-by guarantees reached a level of 59,541 million pesos, with a 8.1% growth rate when compared to the previous year, due to the dynamism and acceptance of Nafinsa's guarantees program.

An analysis of Nacional Financiera's financial statements for the 2015 period is provided in this report's Annex B, "Report on Consolidated Financial Statements with Subsidiaries, as of December 31, 2015".

INTERNAL CONTROL ENTITY

During 2015, the Internal Control Entity (OIC, in Spanish) carried out its activities in accordance with an Operative Risk Management Model aligned with strategic planning by Nacional Financiera and the SFP, covering the compliance with stipulations by regulatory entities; identification of critical processes and relevant information. In this context, the major lines of action were concentrated on the following aspects.

1. Audits and management improvement
2. Transparency and compliance with regulations
3. Complaints, reports, non-conformities, responsibilities, penalization to suppliers and collecting disputes
4. Performance Evaluation System

By December 31, 2015, the 12 programmed audits stand out, four corresponding to the follow-up of the implementation of preventive and corrective actions.

The following was emphasized: internal control evaluation; verification of the mechanisms and activities that promote transparency and accountability; and verification of the processes carried out according to the applicable regulations.

The actions taken by the OIC focused on:

- In matter of citizenship participation, the OIC made a diagnosis of the Advisory Councils Management Process, whose results have allowed the strengthening of the communication and feedback mechanisms with the advisors, as well as the composition, integration and operation of the Councils. Actions that contributed to the incorporation of the Committee for ethics and conflict of interest prevention were promoted.
- Promotion of the diffusion of the regulations in matter of ethics and conflict of interest encouraged the participation of all the public officers in the virtual ethics training course,

achieving a participation of almost a 100%.

- The compliance of the action lines of the Program for Accessible and Modern Government applicable to Nafinsa was verified, for the implementation of the National Digital Strategy, through the application of a verification list and a diagnosis.
- The OIC supported the institution in the development and implementation of a new process for the "Issuance, management, update of the internal regulations", which will provide control of the applicable internal regulations, as well as its diffusion.
- An internal communication campaign was started about the importance of the correct use of CompraNet. On November an advisory workshop on the use of CompraNet was held. As

a result of these actions the number of reported occurrences has been reduced.

- In innovation aspects, the formalization of a Virtual Innovation Network (RIVI, in Spanish) in the institution was promoted, which is called in Nafinsa "Innovation and Improvement Group" (GIM, in Spanish), in which all the institution's department directors participate.
- Regarding the citizen satisfaction aspects, eight states took 825 on-site surveys to the procedure "On-site business training" was applied, obtaining a score of 9.37 points.

During 2015, 119 applications for access to information were received, which were all responded on the established legal terms.

ANNEX A

Nacional Financiera important figures

NACIONAL FINANCIERA, S.N.C., IMPORTANT FIGURES

Millions of Pesos at the End of the Year

Concepts	2013	2014	2015
Total Assests 1/	352,157	389,750	384,828
Financial Agent Portfolio	2,439	1,013	109
First-Tier Loan Portfolio	24,107	32,926	43,730
Second-Tier Loan Portfolio	94,062	116,360	127,863
Total Loan Portfolio	120,608	150,299	171,702
Equity Investment at enterprises	4,576	5,740	6,514
Equity Investment at developers	1,462	1,496	1,532
Stock Market Equity Investment	98	23	95
Internal Debt	132,936	156,019	184,342
External Debt	24,577	31,327	44,054
Prev. Reservoirs for credit risks	3,255	3,665	3,999
Total Passive	337,754	376,342	371,062
Accounting Capital	21,535	22,942	24,096
Assets in Trust or Under Mandate	1,138,900	1,325,455	1,403,376
Endorsement Debtors and other Contingent Liabilities	49,114	56,359	64,414
Net Profit (Loss)	1,780	1,648	1,254
Capitalization Level (%)	15.3	14.6	13.6

1/ Consolidated with subsidiaries

STIMULUS OPERATION TO PRIVATE SECTOR
AT SECOND AND FIRST FLOORS AND GUARANTEES

Regional Classification

(Millions of Pesos - Enterprise Number)

Credit and Guarantees Ene-Dic 2014			Credit and Guarantees Jan-Dec 2015		Percentage Variation 2015/2014	
Amount	Enterprise		Amount	Enterprise	Amount	Enterprise
632,667	1,187,751	TOTAL	591,533	534,270	(6.5)	(55.0)
31,976	134,652	NORTH WEST	28,704	29,736	(10.2)	(77.9)
8,457	33,602	B. California Norte	8,595	8,026	1.6	(76.1)
1,757	9,124	B. California Sur	2,471	2,243	40.6	(75.4)
12,573	46,952	Sinaloa	9,901	6,590	(21.3)	(86.0)
9,189	44,974	Sonora	7,738	12,877	(15.8)	(71.4)
130,405	181,231	NORTH EAST	131,821	67,042	1.1	(63.0)
18,684	36,686	Coahuila	17,087	14,029	(8.5)	(61.8)
11,148	24,177	Chihuahua	11,952	7,581	7.2	(68.6)
4,413	26,435	Durango	3,821	5,367	(13.4)	(79.7)
83,890	47,462	Nuevo León	87,760	25,010	4.6	(47.3)
12,269	46,471	Tamaulipas	11,201	15,055	(8.7)	(67.6)
104,368	243,446	SOUTH-CENTER	97,586	99,989	(6.5)	(58.9)
5,664	13,079	Aguascalientes	5,561	4,255	(1.8)	(67.5)
2,935	8,436	Colima	3,959	3,132	34.9	(62.9)
19,057	53,436	Guanajuato	18,380	16,000	(3.6)	(70.1)
48,979	59,470	Jalisco	44,239	26,493	(9.7)	(55.5)
13,456	42,554	Michoacán	10,635	20,161	(21.0)	(52.6)
1,974	17,768	Nayarit	2,484	3,856	25.8	(78.3)
8,104	34,513	San Luis Potosí	8,340	21,522	2.9	(37.6)
4,199	14,190	Zacatecas	3,987	4,570	(5.1)	(67.8)
312,383	365,627	CENTER	285,526	218,382	(8.6)	(40.3)
195,042	71,156	D.F.	181,009	63,126	(7.2)	(11.3)
3,804	34,157	Guerrero	3,155	14,167	(17.1)	(58.5)
8,427	24,472	Hidalgo	8,187	14,149	(2.9)	(42.2)
64,486	121,137	Mexico	59,198	71,797	(8.2)	(40.7)
5,416	26,402	Morelos	4,682	12,598	(13.5)	(52.3)
14,753	16,080	Queretaro	8,875	6,342	(39.8)	(60.6)
18,304	59,676	Puebla	18,729	30,591	2.3	(48.7)
2,152	12,547	Tlaxcala	1,691	5,612	(21.4)	(55.3)
53,535	262,795	SOUTH -SOUTHEAST	47,895	119,121	(10.5)	(54.7)
5,169	14,137	Campeche	6,096	7,101	17.9	(49.8)
7,445	45,372	Chiapas	6,116	20,976	(17.8)	(53.8)
5,852	26,398	Oaxaca	4,694	13,698	(19.8)	(48.1)
3,589	23,345	Quintana Roo	3,353	11,171	(6.6)	(52.1)
7,444	26,151	Tabasco	5,225	9,719	(29.8)	(62.8)
17,611	101,650	Veracruz	16,297	44,615	(7.5)	(56.1)
6,425	25,742	Yucatan	6,114	11,841	(4.8)	(54.0)

RAISING IN LOCAL CURRENCY *
(Millions of Pesos)

Instrument	2013	2014	2015
AB's short term	0	0	0
AB's mid term	0	0	0
AB's large term	177	0	0
Bankers' Acceptances	177	0	0
Stock Market Certificate	11,462	28,425	40,000
Naftie's	0	0	0
Nafcetes	0	0	0
Nafudis	0	0	0
Europesos	0	0	0
PG's Nafin	106,409	111,837	87,587
Uditrac	0	0	0
Zero Coupon Bond	0	0	0
New Instruments	117,871	140,262	127,587
Various Deposits	212	521	8
Term Deposits	7,553	7,152	41,153
TOTAL	125,813	147,935	168,747

* It does not include interests.

TOTAL EXTERNAL DEBT
BALANCE ON DECEMBER 31
(Millions of USD)

Concepts	2013	2014	2015
I. Direct Debt	<u>1,876.2</u>	<u>2,125.1</u>	<u>2,554.0</u>
A. Deposit Certificates (London)	985	1259	1140
Euro promissory note	0	0	0
Deposit Certificates (London)	985	1259	1140
Green Voucher	0	0	500
B. Multilateral Agencies	185	69	6
C. Private bank, Eximbank's and Suppliers	706.2	797	904
II. Total Guaranteed Debt	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>1,876.2</u></u>	<u><u>2,125.1</u></u>	<u><u>2,554.0</u></u>

ANNEX B
Report on Consolidated Audited Financial Statements with Subsidiaries,
as of December 31, 2015

**NACIONAL FINANCIERA, S. N. C.,
Development Banking Institution and Subsidiaries**

**INDEPENDENT AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2015 AND 2014**

**NACIONAL FINANCIERA, S. N. C.,
Development Banking Institution and Subsidiaries**

**INDEPENDENT AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2015 AND 2014**

TABLE OF CONTENTS

1. Independent auditors' report

- Financial statements and their notes

2. Consolidated balance sheets

3. Consolidated statements of income

4. Consolidated statements of changes in stockholders' equity

5. Consolidated statements of cash flows

6. Notes to the consolidated financial statements



Gossler, S.C.
Member Crowe Horwath International

Oficina México - Polanco
Av. Miguel de Cervantes Saavedra
No. 193, Piso 7-702
Col. Granada
11520, Miguel Hidalgo, México D.F.
+52 (55) 2624 2111 Tel
www.crowehorwath.com.mx

1. INDEPENDENT AUDITORS' REPORT

To the National Banking and Securities Commission

To the Ministry of Public Function

**To the Board of Directors of
Nacional Financiera, S.N.C., Development Banking Institution**

Scope of the review

We have audited the accompanying consolidated financial statements of **Nacional Financiera, S.N.C., Development Banking Institution and Subsidiaries** (the Institution), which comprise the consolidated balance sheets at December 31, 2015 and 2014, and the consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these accompanying consolidated financial statements in accordance with the accounting criteria applicable to Lending Institutions issued by the Mexican National Banking and Securities Commission and for the internal control deemed necessary by Management to permit the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

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



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 consolidated financial statements of **Nacional Financiera, S.N.C., Development Banking Institution and Subsidiaries**, at December 31, 2015 and 2014, have been prepared, in all material respects, in conformity with the General Provisions applicable to Lending Institutions, issued by the Mexican National Banking and Securities Commission.

Emphasis of Matter

Without qualifying our opinion, we hereby draw attention to the following matter:

Note 24 to the consolidated financial statements sets forth that the Institution made payments in the amounts of \$700 million and \$1 billion 200 million Mexican pesos on December 9, 2015 and October 31, 2014, respectively, in accordance with the provisions of official letters numbers 102-B-077 and 102-B-064, dated December 8, 2015 and October 27, 2014, respectively, issued by the Subministry of Finance and Public Credit, whereby the Federal Government instructs the Institution to make a payment under the juridical nature of benefit for furnishing a sovereign guarantee of the Federal Government. Those benefits were paid with a charge to the Institution's income and are shown in the "Other operating income (expenses)" in the consolidated statements of income of 2015 and 2014.

Gossler, S. C.

A handwritten signature in black ink, appearing to read "Alejandro Torres Hernández", with a large, stylized flourish underneath.

Alejandro Torres Hernández
Certified Public Accountant

Mexico City
February 16, 2016

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2015 AND 2014
 (Millions of Mexican pesos)
 (Notes 1 to 3)

	2015	2014		2015	2014
ASSETS			LIABILITIES		
Liquid assets (Note 5)	\$ 20,520	\$ 18,105	Traditional deposits:		
Memorandum accounts	20	1	Term deposits: (Note 16)		
Investments in securities: (Note 6)			Money market	\$ 125,734	\$ 116,610
Trading securities	161,298	190,925	Negotiable instruments issued:		
Available-for-sale securities	5,141	4,071	In the country: (Note 17)		
Held-to-maturity securities	12,894	12,696	Stock certificates	40,569	28,825
	179,333	207,692	Abroad: (Note 18)		
Receivables under repurchase agreements (Note 7)	313	4,572	Bank bonds	19,660	18,555
Derivatives: (Note 8)			Securities notes	8,670	-
Trading purposes	178	389		194,633	163,990
Designated as hedges	-	366	Interbank loans and loans for other agencies: (Note 19)		
	178	755	Demand deposits	-	1,000
Valuation adjustment on hedges of financial assets (Note 8)	1,314	193	Short-term	14,030	5,675
Performing loan portfolio:			Long-term	9,719	7,097
Commercial credits:				23,749	13,772
Business or commercial activity	38,857	27,584	Payables under repurchase agreements (Note 7)	135,792	181,484
Financial entities	119,788	109,677	Derivatives: (Note 8)		
Government entities	10,901	9,975	Trading purposes	-	26
	169,546	147,236	Designated as hedges	2,323	-
Consumer lending	7	5		2,323	26
Mortgage loans	146	153	Valuation adjustment on hedges of financial liabilities (Note 8)	1,108	694
Federal Government Financial Agent	109	1,013	Other payables: (Note 20)		
Total performing loan portfolio	169,808	148,407	Taxes on earnings payable	364	1,012
Nonperforming loan portfolio:			Employee profit sharing payable	257	310
Commercial credits:			Payables on liquidation of trades	410	3,000
Business or commercial activity	6	6	Payables under memorandum accounts	-	518
Financial entities	1,870	1,870	Payables for cash collateral received	5	-
	1,876	1,876	Accrued liabilities and other payables	687	721
Consumer lending	4	3		1,723	5,561
Mortgage loans	14	13	Deferred credits	144	139
Total nonperforming loan portfolio	1,894	1,892	Total liabilities	359,472	365,666
Loan portfolio (Note 9)	171,702	150,299			
Allowance for loan losses (Note 10)	(4,703)	(3,955)	STOCKHOLDERS' EQUITY (Note 23)		
Loan portfolio, net	166,999	146,344	Paid-in capital:		
Other receivables, net (Note 11)	5,142	3,308	Capital stock	8,805	8,805
Repossessed assets, net (Note 12)	17	25	Contributions for future capital increases formalized by the Board of Directors	1,950	1,950
Property, plant and equipment, net (Note 13)	1,552	1,569	Paid stock premium	8,922	8,922
Other investments (Note 14)	33	28		19,677	19,677
Permanent investments, net (Note 15)	7,544	6,205	Capital gains:		
Deferred taxes and PTU, net (Note 22)	541	238	Capital reserves	1,730	1,730
Other assets:			Prior year losses	1,403	(259)
Deferred charges, prepaid expenses and intangibles	1,322	727	Gain on valuation of available-for-sale securities	(290)	(52)
Total assets	\$ 384,828	\$ 389,762	Accumulated effect on translation	34	34
			Effects of valuation in associate and affiliate companies	288	162
			Net income	1,254	1,662
				4,419	3,277
			Non-holding company equity	1,260	1,142
			Total stockholders' equity	25,356	24,096
			Total liabilities and stockholders' equity	\$ 384,828	\$ 389,762

Memorandum accounts

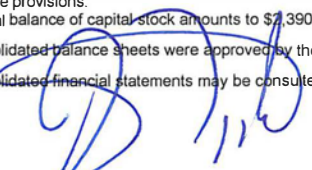
	2015	2014
Guarantees granted (Note 25)	\$ 109	\$ 132
Contingent assets and liabilities (Note 25)	\$ 49,738	\$ 43,674
Credit commitments (Note 25)	\$ 197,020	\$ 98,999
Assets placed in trust or mandate (Note 26)		
Trusts	\$ 1,108,836	\$ 1,065,509
Mandates	2,657	18,912
	\$ 1,111,493	\$ 1,084,421
Federal Government Financial Agent (Note 26)	\$ 291,883	\$ 241,034
Assets in custody or administration (Note 27)	\$ 552,914	\$ 442,268
Collateral received by the entity	\$ 36,602	\$ 24,430
Collateral received and sold or pledged as a guarantee by the entity	\$ 36,289	\$ 19,859
Investment bank third party trading, net	\$ 99,600	\$ 114,323
Uncollected accrued interest derived from the non-performing loan portfolio	\$ 297	\$ 329
Other memorandum accounts (Note 28)	\$ 576,917	\$ 412,715

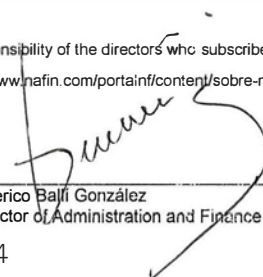
These consolidated balance sheets were prepared in conformity with the Accounting Criteria for Lending Institutions issued by the Mexican National Banking and Securities Commission, in accordance with the provisions of Articles 99, 101, and 102 of the Lending Institutions Activities Act. Those criteria, whose observance is general and mandatory, were applied on a consistent basis. The transactions carried out by the Institution and reflected up to the dates referred to above were carried out and valued in accordance with sound practices and the pertinent legal and administrative provisions.

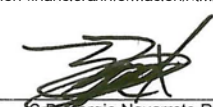
The historical balance of capital stock amounts to \$7,390.

These consolidated balance sheets were approved by the Board of Directors, under the responsibility of the directors who subscribe them.

These consolidated financial statements may be consulted on the following web page <http://www.nafin.com/portafin/content/sobre-nafinsa/informacion-financiera/informacion.html>


 Dr. Jacques Rogozinski Schtulman
 Chief Executive Officer


 Dr. Federico Ballí González
 Associate General Director of Administration and Finance


 C. P. Sergio Navarrete Reyes
 Director of Accounting and Budget

NACIONAL FINANCIERA, S. N. C.,
Development Banking Institution and Subsidiaries
 Av. Insurgentes Sur 1971, Col. Guadalupe Inn, C.P. 01020 México, D.F.


CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
 (Millions of Mexican pesos)
 (Notes 1 to 3)

	<u>2015</u>	<u>2014</u>
Interest income (Note 24)	\$ 14,386	\$ 15,157
Interest expenses (Note 24)	(10,101)	(10,433)
Financial margin	4,285	4,724
Provision for loan losses	(1,253)	(1,592)
Financial margin adjusted by credit risks	3,032	3,132
Commission and fee income (Note 24)	2,662	2,519
Commission and fee expense (Note 24)	(298)	(293)
Gain on brokerage (Note 24)	(413)	8
Other operating income (expenses) (Note 24)	18	4
Administration and promotion expenses	(3,298)	(3,074)
Operating income	1,703	2,296
Equity in losses of unconsolidated subsidiaries and associates	(11)	(2)
Income before taxes on earnings	1,692	2,294
Current income taxes (Note 22)	(716)	(929)
Deferred income taxes (Note 22)	324	321
Net income	1,300	1,686
Non-holding company equity	(46)	(24)
Net income including controlling company equity	\$ 1,254	\$ 1,662

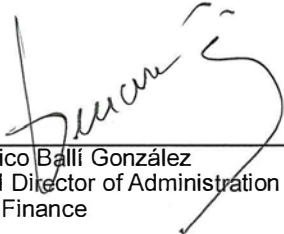
These consolidated statements of income were prepared in conformity with the Accounting Criteria for Lending Institutions issued by the Mexican National Banking and Securities Commission, in accordance with the provisions of Articles 99, 101, and 102 of the Lending Institutions Activities Act. Those criteria, whose observance is general and mandatory, were applied on a consistent basis. All the income and expenditures derived from the transactions carried out by the Institution and reflected during the periods referred to above were carried out and valued in accordance with sound practices and the pertinent legal and administrative provisions.

These consolidated statements of income were approved by the Board of Directors, under the responsibility of the directors who subscribe them.

These consolidated financial statements may be consulted on the following web page <http://www.nafin.com/portalfn/content/sobre-nafinsa/informacion-financiera/informacion.html>



 Dr. Jacques Rogozinski Shtulman
 Chief Executive Officer



 Dr. Federico Ballí González
 Associate General Director of Administration
 Finance



 C.P. Sergio Navarrete Reyes
 Director of Accounting and Budget

The accompanying notes are part of these consolidated financial statements.

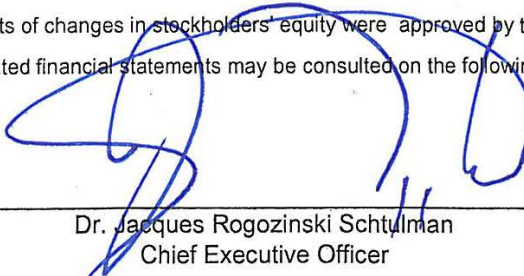
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Millions of Mexican Pesos)
(Notes 1 and 2)

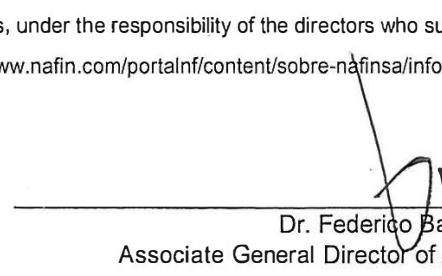
	Capital contributions				
	Capital stock	Contributions for future capital increases formalized by the Board of Directors	Paid stock premium	Capital reserves	Other
Balances at December 31, 2013	\$ 8,805	\$ 1,950	\$ 8,922	\$ 1,730	\$ -
Change inherent to decisions by stockholders - Allocation of prior year income	-	-	-	-	-
Changes inherent to recognition of comprehensive income -					
Net income	-	-	-	-	-
Gain or loss on valuation in associated and affiliated companies	-	-	-	-	-
Gain on valuation of available-for-sale securities Non-holding company equity	-	-	-	-	-
Total changes inherent to recognition of comprehensive income	-	-	-	-	-
Effect of reformulation (Note 33)	-	-	-	-	-
Balances at December 31, 2014	8,805	1,950	8,922	1,730	-
Change inherent to decisions by stockholders - Allocation of prior year income	-	-	-	-	-
Changes inherent to recognition of comprehensive income -					
Net income	-	-	-	-	-
Gain or loss on valuation in associated and affiliated companies	-	-	-	-	-
Gain on valuation of available-for-sale securities Non-holding company equity	-	-	-	-	-
Total changes inherent to recognition of comprehensive income	-	-	-	-	-
Balances at December 31, 2015	\$ 8,805	\$ 1,950	\$ 8,922	\$ 1,730	\$ -

These consolidated statements of changes in stockholders' equity were prepared in conformity with the Accounting Criteria for Lending Institutions and the Lending Institutions Activities Act. Those criteria, whose observance is general and mandatory, were applied on a consistent basis. All the adjustments mentioned above were carried out and valued in accordance with sound practices and the pertinent legal and administrative provisions.

These statements of changes in stockholders' equity were approved by the Board of Directors, under the responsibility of the directors who signed them.

These consolidated financial statements may be consulted on the following web page <http://www.nafin.com/portalfn/content/sobre-nafinsa/inf>


Dr. Jacques Rogozinski Schtulman
Chief Executive Officer


Dr. Federico Ba
Associate General Director of

The accompanying notes are part of these consolidated financial statements.

NACIONAL FINANCIERA, S. N. C.,
 Institution and Subsidiaries
 Reforma Inn, C.P. 01020 México, D.F.

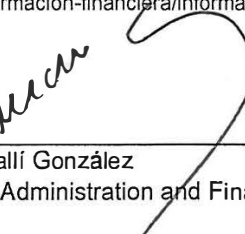
STATEMENT OF EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
 (in Mexican pesos)
 (pages 1 to 3)


Capital gains						
Prior year losses	Gain or loss on valuation of available-for-sale securities	Accumulated effect on translation	Effects of valuation in associate and affiliate companies	Net income	Non-holding company equity	Total stockholders' equity
(1,982)	\$ 14	\$ 34	\$ 217	\$ 1,725	\$ 1,158	\$ 22,573
1,725	-	-	-	(1,725)	-	-
1,725	-	-	-	(1,725)	-	-
-	-	-	-	1,672	-	1,672
-	-	-	(55)	-	-	(55)
-	(66)	-	-	-	-	(66)
-	-	-	-	(24)	(16)	(40)
-	(66)	-	(55)	1,648	(16)	1,511
(2)	-	-	-	14	-	12
(259)	(52)	34	162	1,662	1,142	24,096
1,662	-	-	-	(1,662)	-	-
1,662	-	-	-	(1,662)	-	-
-	-	-	-	1,208	-	1,208
-	-	-	126	-	-	126
-	(238)	-	-	-	-	(238)
-	-	-	-	46	118	164
-	(238)	-	126	1,254	118	1,260
1,403	\$ (290)	\$ 34	\$ 288	\$ 1,254	\$ 1,260	\$ 25,356

Information issued by the National Banking and Securities Commission, in accordance with the provisions of Articles 99, 101, and 102 of the Law of the National Banking and Securities Commission, regarding the movements in the stockholders' equity accounts derived from the transactions carried out by the Institution during the periods referred to.

Subscribe here.

www.nacional-financiera/informacion.html


 María del Carmen González
 Administration and Finance


 C.P. Sergio Navarrete Reyes
 Director of Accounting and Budget

NACIONAL FINANCIERA, S. N. C.,
Development Banking Institution and Subsidiaries
Av. Insurgentes Sur 1971, Col. Guadalupe Inn, C.P. 01020 México, D.F.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Millions of Mexican pesos)
(Notes 1 to 3)

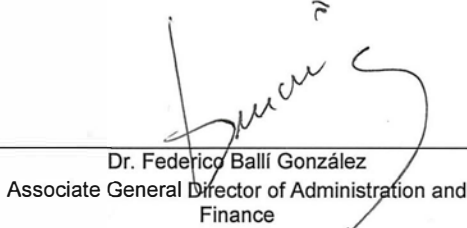
	<u>2015</u>	<u>2014</u>
Net income	\$ 1,254	\$ 1,662
Adjustments on items that do not imply cash flow:		
Allowance for uncollectible or doubtful accounts	208	201
Depreciation of property, furniture and equipment	35	33
Provisions	823	232
Taxes on earnings due and deferred	392	608
Equity in earnings (losses) of unconsolidated subsidiaries and associates	11	2
Others	<u>(842)</u>	<u>(474)</u>
	627	602
OPERATING ACTIVITIES:		
Change in margin accounts	(19)	1
Change in investments in securities	29,516	(1,064)
Change in receivables under repurchase agreements (repos)	4,259	(4,572)
Change in derivatives (asset)	50,269	19,712
Change in loan portfolio (net)	(16,795)	(27,702)
Change in repossessed assets	1	-
Change in other operating assets	(2,265)	(682)
Change in traditional deposits	23,227	28,248
Change in interbank loans and loans for other agencies-	7,891	(4,442)
Change in payables under repurchase agreements	(45,692)	4,726
Change in derivatives (liability)	(44,316)	(18,432)
Change in other operating liabilities	(4,586)	2,225
Payment of taxes on earnings	<u>(935)</u>	<u>(277)</u>
Net cash flows from operating activities	555	(2,259)
INVESTING ACTIVITIES:		
Payment on acquisition of property, furniture and equipment	(18)	(21)
Collections on disposition of subsidiaries and associates	15	4
Payments on acquisition of subsidiaries and associates	(945)	(449)
Collections of cash dividends	2	2
Net cash flows from investing activities	<u>(946)</u>	<u>(464)</u>
Net increase (decrease) in cash and cash equivalents	1,490	(459)
Effects of changes in the value of cash and cash equivalents	925	1,110
Cash and cash equivalents at beginning of period	18,105	17,454
Cash and cash equivalents at end of period	<u>\$ 20,520</u>	<u>\$ 18,105</u>

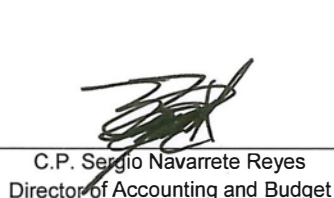
These consolidated statements of cash flows were prepared in conformity with the Accounting Criteria for Lending Institutions issued by the Mexican National Banking and Securities Commission, in accordance with the provisions of Articles 99, 101, and 102 of the Lending Institutions Activities Act. Those criteria, whose observance is general and mandatory, were applied on a consistent basis. All the cash inflows and cash outflows derived from the transactions carried out by the Institution and reflected during the periods referred to above were carried out and valued in accordance with sound practices and the pertinent legal and administrative provisions.

These consolidated statements of cash flows were approved by the board of directors, under the responsibility of the directors who subscribe them.

These consolidated financial statements may be consulted on the following web page <http://www.nafin.com/portalnf/content/sobre-nafinsa/informacion-financiera/informacion.html>


 Dr. Jacques Rogozinski Schulman
 Chief Executive Officer


 Dr. Federico Balli González
 Associate General Director of Administration and Finance


 C.P. Sergio Navarrete Reyes
 Director of Accounting and Budget

The accompanying notes are part of these consolidated financial statements.

**NACIONAL FINANCIERA, S. N. C.,
Development Banking Institution and Subsidiaries
Av. Insurgentes Sur 1971, Col. Guadalupe Inn, C.P. 01020 México, D.F.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2015 AND 2014
(Millions of Mexican pesos)**

NOTE 1. INCORPORATION AND BUSINESS

Organization

Nacional Financiera, S.N.C. (the Institution) was constituted as an implementing instrument of significant socioeconomic transformations, in order to promote the securities market and foster the mobilization of the financial resources of México, pursuant to the decree issued by the Federal Government on June 30, 1934.

It is a Development Banking Institution, which operates in conformity with the legal system of its own Internal Regulations, the Lending Institutions Act, and general Provisions applicable to lending institutions (the Provisions) issued by the Mexican National Banking and Securities Commission (the Commission).

Business

Contribute to the development of companies, by providing them with access to financing products, training, technical assistance and information, in order to foster competitiveness and productive investment; promote the development of strategic sustainable projects for the country on an orderly and centered basis, under schemes that allow for correcting market failures in coordination with other development banks; further regional and sectoral development of the country, particularly in the states with less relative development, through an offer of differentiated products, in accordance with the productive vocations of each region; develop financial markets and risk capital industry in the country so that they may serve as sources of financing for enterprising business people and small and medium-sized companies; Be an efficiently managed Institution, based on a consolidated corporate government structure that assures an ongoing, transparent operation, as well as the preservation of its capital in real terms, in order for it not to represent a financial burden for the Federal Government.

Nafin's Internal Regulations:

Article 2.- Nacional Financiera, S.N.C., Government-Controlled Development Bank, Development Banking Institution shall promote savings and investment, as well as channel financial and technical supports to industrial development and, in general, to national and regional economic development of the country.

The Institution shall operate and function in accordance with the applicable legal framework and sound practices and banking uses to reach the general objectives set forth in Article 4 of the Lending Institutions Act.

Lending Institutions Act:

Article 4.- The State shall exercise the guide of Mexican Banking System, in order for this System to carry its activities fundamentally to support and promote the development of the nation's productive forces and growth of the national economy, based on a sovereign policy, which encourages savings in all sectors and regions of México, and its appropriate allocation to a broad regional coverage that is conducive to the decentralization of the System itself, in accordance with sound practices and bank uses.

Development Banking Institutions shall take care of the productive activities that Congress determines as a specialty in each one of these activities in the respective internal regulations.

The Institution carries its operations by following Development Banking financing criteria, and channeling its resources mainly through first level banking and non-banking financial intermediaries. The main sources of resources of the Institution come from borrowings from international development institutions such as the International Reconstruction and Development Bank (World Bank) and the Inter-American Development Bank (IDB), lines of credit from foreign banks and the placement of securities on international and domestic markets.

At December 31, 2015 and 2014, the Institution's operating structure abroad includes two branches, one in London (England) and the other in the Grand Cayman Island.

Article 10 of the Institution's Internal Rules sets forth that the Federal Government will be liable at all times for the transactions carried out by the Institution with domestic individuals or legal entities, those carried out with private, governmental or inter-governmental private institutions, and the deposits received as set forth in Articles 7 and 8 in the terms of the Law on that subject matter.

NOTE 2. BASIS OF PRESENTATION

1. **Consolidation of financial statements** - The consolidated financial statements include the financial statements of the Institution and those of its subsidiaries over which it has control. In addition, its shareholdings in its capital stock are shown below:

	% of equity participation shares	
	2015	2014
Financial activities:		
Operadora de Fondos Nafinsa, S.A. de C.V.	99.99	99.99
Non-financial activities:		
Corporación Mexicana de Inversiones de Capital, S.A. de C.V.	76.27	75.98
Trusts:		
Sales program of securities directly to the public	100	100

	% of equity participation shares	
	2 0 1 5	2 0 1 4
Trust 11480 Fund for Risk Participation	100	100
Trust 11490 Fund for Surety Bond Risk Participation	100	100
Complementary services		
Plaza Insurgentes Sur, S.A. de C.V.	99.99	99.99
Pissa Servicios Corporativos, S.A. de C.V. (in liquidation)	99.99	99.99

Intercompany balances and transactions have been eliminated in these consolidated financial statements.

The main purpose of the subsidiaries, financial companies, non-financial companies, trusts, and complementary service companies of the Institution) are as follows:

Operadora de Fondos Nafinsa, S.A. de C.V. -

Contribute to the development of financial markets, by encouraging small and medium-sized investors to gain access to the securities market.

Corporación Mexicana de Inversiones de Capital, S.A. de C.V. -

Invest in Private Capital funds, as well as foster productive investment in México in the medium and long-term, by encouraging the institutionalization, development, and competitiveness of the small and medium-sized company (S&ME). This company was incorporated with part of the stock portfolio of some development banking institutions in August 2006.

Trust Program of Security Sales Directly to the Public

Manage the trust funds in order to carry out the necessary acts to develop and implement the Security Sales Directly to the Public, in conformity with the Operating Rules which, if applicable, are authorized by the Technical Committee.

Trust 11480 Fund for Risk Participation -

In order to have the vehicles that allow for meeting the institutional objectives related to the access of micro, small, and medium-sized companies of the country (MI S&ME) to formal financing, the institution implemented the guaranty program, whereby it shares the credit risk with banking and non-banking financial institutions (intermediaries) determined by the Technical Committee, which those intermediaries grant to domestic companies and individuals.

The gain on this trust for the years ended December 31, 2015 and 2014 amounts to \$847 and \$1,587, respectively. The effect of the main revenue of this trust is reflected in the item of Commissions and fees collected in the consolidated statement of income. These gains do not contemplate operating expenses, since the Institution, in its capacity as a Trustor, renders its support with human resources, informatics, and materials, insofar as it does not have its own organizational structure.

Trust 11490 Fund for Surety Bond Risk Participation -

Share the risk of compliance with construction performance bonds and/or procurement bonds set forth in subsection III, Article 5 of the Surety Bond Law with bonding institutions of the country organized in accordance with the Federal Bonding Institutions Law and determined by the Technical Committee, which they grant to micro, small and medium-sized companies, as well as to sole proprietors that have entered into a procurement contract of goods, services and/or public works with the Federal Public Administration.

Plaza Insurgentes Sur, S.A. de C.V. -

Render comprehensive real estate services to its main stockholder (the Institution), by leasing spaces and furniture, as well as adapting offices with preventive, corrective maintenance programs to the real property infrastructure.

Pissa Servicios Corporativos, S.A. de C.V. (in liquidation) -

Render complementary and auxiliary services in managing and realizing the corporate objective of any National Lending Institution that is or eventually becomes its stockholder, as well as auxiliary companies and trusts thereof.

2. **Comprehensive income** - This is the change of stockholders' equity during the year for items that are not distributions and changes in paid-in capital. It consists of net gain for the year plus other items that represent a gain of the same period, which are presented directly in stockholders' equity, without affecting the statement of income.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The Institution's significant accounting policies concur with the accounting criteria set forth by the Commission, which are included in the Provisions, their circulars, as well as general official and particular letters that it has issued for that purpose. Those criteria require that Management realize certain estimates and use certain assumptions to determine the valuation of some items included in the consolidated financial statements, as well as to make some disclosures that are required to be presented therein. Even when they can eventually differ from their final effect, Management considers that the estimates and assumptions used were adequate under current circumstances.

These accounting criteria will be applied suppletorily when, in the absence thereof, Financial Reporting Standards (FRS) issued by the Mexican Board of Financial Reporting Standards (CINIF) are observed.

Accounting changes.

At December 31, 2014, the CINIF issued changes to FRS, which were into effective beginning January 1, 2015. However, those changes are not applicable to the Institution.

The significant accounting criteria followed by the Institution are summarized below:

1. **Recognition of the impact of inflation on the financial information** - Accumulated inflation of the last three prior annual fiscal years at December 31, 2015 and 2014 is 10.06% and 11.87%, respectively; therefore, the economic environment qualifies as non-inflationary in both years. The percentages of inflation for the years ended December 31, 2015 and 2014 were 2.10% and 4.18%, respectively. The financial statements recognize the impact of inflation through to December 31, 2007.

2. **Liquid assets** - These assets are valued at their nominal value and with respect to foreign currency, they are valued at their fair value based on the year end quote.

The currencies acquired that are agreed upon to liquidate on a date subsequent to the realization of the buy and sell transaction are recognized as a restricted asset (foreign currency receivable). Foreign currency sold is recorded as a credit to liquid assets (foreign currency deliverable). The offsetting entry is recorded in a debit clearing account when a sale is realized and a credit clearing account when a purchase is realized.

For purposes of presentation of the financial information, foreign currency clearing accounts receivable and deliverable are offset and presented in the item of other receivables (net) or other payables, as applicable.

This item also includes interbank lending transactions agreed upon in a term less than or equal to 3 business days, as well as other liquid assets such as correspondent banks, sight drafts, and coined precious metals.

3. **Margin accounts** - The so-called margin accounts (security deposits) for derivative financial instrument trading on recognized markets are recognized at nominal value. Security deposits are intended to assure compliance with obligations corresponding to derivatives carried out on recognized markets and correspond to the opening margin and subsequent contributions or retirements realized in the duration of the respective contracts.

4. **Valuation of foreign currency** - The Institution maintains accounting records by type of foreign currency in assets and liabilities contracted in a foreign currency, which are valued at the fixed exchange rate published by the Bank of México (Banxico) in the Official Daily Gazette on the business day subsequent to the date of the transaction or preparation of the financial statements, as applicable.

5. **Investments in securities** - The record and valuation of investments in securities are subject to the following guidelines:

Trading securities:

These securities deal with the Institution's own positions acquired with the intent of selling them and obtaining gains from price differences resulting from short-term trading operations. Those securities are traded with market participants.

At the time of their acquisition, they are initially recognized at their fair value (which, if applicable, includes the discount or surcharge) and corresponds to the price agreed upon. They are subsequently valued at fair value, by applying market values furnished by an independent pricing service, authorized by the Commission. The book effect of this valuation is recorded in income for the year. Fair value of debt securities includes both the capital component and interest accrued on the securities.

On the date sold, the gain or loss is recognized on the trade for the spread between its carrying value and the sum of the considerations received.

Cash dividends collected on the net equity instruments are recognized in income for the year at the time at which the right to receive the payment thereof is generated.

Available-for-sale securities:

These are debt securities and net equity instruments, which have been acquired with the of obtaining earnings derived from the price differences resulting from short-term trading operations. In the case of debt securities, there is neither any intent nor capacity to hold them to maturity; therefore, it represents a residual category, that is, they are acquired with an intent other than that of trading securities or held-to-maturity securities, respectively.

At the time they are acquired, they are initially recognized at their fair value, which corresponds to the price agreed upon. They are subsequently valued at fair value, by applying market values furnished by an independent pricing service, authorized by the Commission. The book effect of this valuation is recorded in stockholders' equity. Fair value of debt securities includes both the capital component and interest accrued on the securities.

On the date sold, the gain or loss is recognized on the trade for the spread between its carrying value and the sum of the considerations received, and the effect of accrued valuation that has been recognized in stockholders' equity.

Cash dividends collected on the net equity instruments are recognized in income for the year at the time at which the right to receive the payment thereof is generated.

Held-to-maturity securities

These are those debt securities, whose payments are fixed or determinable with a fixed maturity (which means that the contract defines the amounts and dates of the payments to the holding entity) with respect to which the Institution has both the intent and the capacity to hold up to their maturity.

They are initially recognized at their fair value at the time when they are acquired, which corresponds to the agreed upon price, and applied to income for the year on accrued interest. The gain or loss is recognized on the trade for the spread between its net realization value and its carrying value on the date sold.

The transaction costs of the acquisition of the securities will be recognized depending upon the classification in which they are designated, as follows:

- a) Trading securities. - In income for the year on the date of acquisition.
- b) Available-for-sale and held-to-maturity securities. - Initially as part of the investment.

In the event of reclassifying from the category of held-to-maturity securities to available-for-sale securities, provided that there is neither the intent nor the ability to hold them to their maturity.

Should trading securities be reclassified to available-for-sale securities, they may only be reclassified in extraordinary circumstances pursuant to express authorization of the Commission.

The gain or loss on valuation that corresponds to the reclassification in the event of reclassifying held-to-maturity securities to available-for-sale securities will be recognized in other comprehensive income items in Stockholders' Equity.

For securities that would have been authorized to be reclassified from the category of available-for-sale securities to the category of held-to-maturity securities, the gain or loss on valuation that corresponds to the transfer date should continue in Stockholders' equity, and it will be amortized based on the probable life of the reclassified securities

- 6. *Impairment of the value of a security*** - The Institution evaluates if there are objective indicators that a security is impaired at the date of the balance sheet.

A security is considered impaired and, therefore, an impairment loss is incurred if, and only if there are objective impairment indicators as a result of one or more events that occur subsequent to the initial recognition of the security, which had an impact on its estimated future cash flows that can be determined reliably. It is not very likely to identify a single event that is individually the cause of such impairment. It is more feasible that the combined effect of various events might have caused the impairment.

- 7. *Repurchase transactions (repos)*** - Repurchase transactions are those whereby the seller acquires the ownership of negotiable instruments for a sum of money, and is bound to transfer the ownership of other securities of the same type to the seller in the agreed upon term and against the reimbursement of the same price plus a premium. The premium is in the benefit of the seller, unless agreed upon otherwise.

Repurchase transactions are considered as a sale for legal purposes where a repurchase agreement is established of the transferred financial assets. However, the economic substance of repurchase transactions is that of financing with collateral, whereby the seller

delivers cash as financing, in exchange for obtaining financial assets that serve as protection in the event of nonperformance. Repurchase transactions (repos) are recorded as indicated below:

- On the date of contracting the repurchase transaction, the Institution, acting as a seller, recognizes the cash inflow or a debit clearing account, as well as an account payable at its fair value, initially its agreed upon price, which represents the obligation to reimburse that cash to the buyer.
- Throughout the life of the repurchase transaction, the account payable is valued at its fair value, through recognition of interest on the repurchase transaction in income of the year as accrued, in accordance with the effective interest method, and making an application to that account payable.
- On the day that the repurchase transaction is contracted, when the Institution acts as the buyer it recognizes the disbursement of cash or a payable to a clearing account, as well as record an account receivable at its fair value at the price agreed upon initially, which represents the right to recover the cash delivered.

Over the life of the repurchase transaction, the receivable is valued at its fair value, through recognition of interest on the repurchase transaction in income of the year as accrued, in accordance with the effective interest method, and making an application to that account receivable.

Collateral furnished and received other than cash

Collateral furnished by the seller to the buyer (other than cash) is recognized in accordance with the following:

- a) The buyer recognizes the collateral received in memorandum accounts. The seller reclassifies the financial asset in its balance sheet, by presenting it as a restricted asset. Valuation, presentation, and disclosure standards are adhered to in accordance with the pertinent accounting criterion for the applicable lending institutions.
- b) Upon selling the collateral, the seller recognizes the proceeds from the sale, as well as an account payable for the obligation to return such collateral to the buyer (measured initially at the fair value of that collateral), which is valued at fair value (any spread between the price received and the fair value of the account payable will be recognized in income of the year).
- c) In the event that the seller should fail to perform the conditions set forth in the contract and, therefore, should not be able to claim the collateral, the seller should remove it from its balance sheet at its fair value against the account payable. Meanwhile, the buyer recognizes the receipt of collateral in its balance sheet, in accordance with the type of asset involved, against the account receivable or, if applicable, such collateral had previously been sold, the buyer writes off the account payable discussed, relative to the obligation to return such collateral to the buyer.

- d) The seller keeps the collateral in its balance sheet, and the buyer only recognizes it only in memorandum accounts, except when the risks, benefits, and control of that collateral has been transferred due to seller nonperformance.
- e) Memorandum accounts recognized for collateral received by the buyer are written off when: i) the repurchase transaction reaches maturity; ii) there is seller nonperformance; or iii) the buyer exercises the right to sell or accord and satisfaction of the collateral received.

8. *Derivative financial instruments trading and hedge transactions* - The Institution carries out two types of transactions:

- Hedging transactions when derivative financial instruments are traded in order to offset one or various financial risks generated by a transaction or set of transactions associated with a primary position.
- Trading operations when the Institution maintains a derivative financial instrument with the original intent to obtain gains based on changes in their fair value.

Hedging transactions, according profile covered exposure can be:

- a) Fair value hedge: This represents a hedge against exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments, or of a portion identified of those assets, liabilities or unrecognized firm commitments that is attributable to a particular risk that can affect the gain or loss of the period.

This hedge should be recognized in the following manner:

- 1) The gain or loss on the valuation of the fair value hedging instrument (for a hedge derivative) or the foreign currency component valued in conformity with FRS B15 "Foreign currency translation" for a non-derivative hedging instrument) should be recognized in income for the period; and
- 2) The gain or loss on the hedged item attributable to the hedged risk should adjust the carrying value of that item and it should be recognized in income of the period. The foregoing even applies if the hedged item is valued at cost (for example, when the interest rate risk is hedged in the loan portfolio that is valued at amortized cost). The recognition of the gain or loss on valuation attributable to the hedged risk in income for the period even applies if the hedged item is an investment in securities designated as available-for-sale.

- b) Cash flow hedge: This represents a hedge of the exposure to the change in cash flows of a forecasted transaction that: (i) is attributable to a particular risk associated with a recognized asset or liability (such as the total or some of the future interest payments applicable to a credit or debt instrument at a variable interest rate), or with a highly likely event; and that (ii) it can affect income of the period.

That hedge should be recognized in the following manner:

- 1) The portion of the gain or loss on the hedged instrument that is effective in the hedge should be recognized in stockholders' equity, and forms part of the other items of comprehensive income.
- 2) The portion of the gain or loss on the hedged instrument that is ineffective in the hedge should be recognized in directly in income for the year.
- 3) Contributed capital or margin accounts managed (delivered and received) when derivative financial instruments are traded on unrecognized markets are recorded in the item of "Margin Accounts" and "Other payables and accrued liabilities", respectively.
- 4) The accounting criteria of the Commission do not consider the counterparty risk for the valuation of derivative financial instruments.

A cash flow hedge should be accounted for as follows:

- 1) The effective hedging component recognized in stockholders' equity associated with the hedged item should be adjusted to equal the lower amount from between the following items:
 - i. The accumulated gain or loss of the hedging instrument since the inception thereof; and
 - ii. the accumulated change in fair value (present value) of expected future cash flows of the hedged item from the inception of the hedge.
- c) A hedge of a net investment in a foreign transaction represents the portion of the gain or loss of the hedge instrument that is effective in hedging a net investment in a foreign transaction, and it should be recognized in stockholders' equity, thereby forming part of the other items of comprehensive income in the item of accumulated translation effect.

9. Foreign currency transactions - Foreign currency transactions are recorded at the current exchange rate at the date of the transaction. Foreign currency assets and liabilities are valued at the current exchange rates at the end of period exchange rates, determined and published by the Banco de México.

10. Loan portfolio - Loans granted are recorded as an asset as of the date on which funds are drawn down and interest is aggregated as accrued, in accordance with the loan payment schedule.

Interest applicable to current lending operations is recognized and applied to income as accrued. Interest accrual is suspended at the time at which the unpaid balance of the loan is considered in default.

While loans remain classified as nonperforming portfolio, accrued interest is controlled in memorandum accounts. In the event that this interest should be collected, it is recognized in income of the year.

Nonperforming portfolio

The performing portfolio is transferred to the nonperforming portfolio when the unpaid balance of the current loans meets the following constraints:

- a) It is known that the borrower is declared in bankruptcy proceedings with a merchant;
- b) Loans with a single payment on principal and interest at maturity and present 30 or more calendar days in arrears;
- c) Loans with a single payment on principal at maturity and periodic payments on interest that present 90 or more calendar days in arrears of the respective interest payment or 30 or more calendar days in arrears of the principal;
- d) Loans with periodic payments on principal and interest and present 90 or more calendar days in arrears;
- e) Revolving loans that present two monthly billing periods or, if applicable, 60 or more calendar days in arrears.
- f) Monthly periods may be used with respect to terms to maturity, with the following equivalences:
 - 30 days is equivalent to one month
 - 60 days to two months
 - 90 days to three months

Impaired portfolio

All those commercial credits are understood as impaired portfolio which based on current information and events, as well as the review process of such credits, there is a considerable likelihood that both the principal component and interest of impaired portfolio may not be entirely recovered, in accordance with the terms and conditions agreed upon originally. Both, the current portfolio and nonperforming portfolio may be identified as an impaired portfolio.

The significant policies and procedures for granting, controlling, and recovering loans set forth in the Institution's regulations are as follows:

- a) Loans granted or guaranteed by the Institution are for financing projects to economically and financially viable companies.
- b) The maximum limit of financing is determined based on the needs of the investment project and results of the evaluation of the creditworthiness of the company or project.

- c) The terms and periods of grace of loans are established based on the creditworthiness of companies.
- d) Collateral, preferably mortgage securities, is obtained in adequate, sufficient proportion, in accordance with the characteristics of the loans and, if applicable, in accordance with the type of financial broker that grants it.
- e) Loan securities granted by the Institution are complementary to those that must be furnished by borrowers and do not substitute those securities. Accordingly, brokers should negotiate the securities that back the loan granted with the borrowers in each case.
- f) The borrower should have proven creditworthiness and integrity.
- g) Credit granting operations of Bank Financing Brokers (IFB), as well as Non-Bank Financial Brokers (IFNB) are recorded at the offices of the parent company. Balances are reconciled with IFNB balances every month, as well as with IFB balances every quarter.
- h) Portfolio turnover is carried out through the Institutional Portfolio Recovery and Management System (SIRAC), managed at the office of the parent company by the Credit Management General Office.
- i) No new credit operations are carried out with the creditor company, as long as there are debts in arrears with that company.
- j) Out-of-court collection procedures are carried out in the portfolio with nonperformance of 3 to 90 days.
- k) Once 90 days of nonperformance of a debt have elapsed, the loan balance is considered nonperforming and collection is made through legal means, either directly in the case of first tier loans or through financial brokers in the case of discounts of loans.

The Institution's main policies and procedures for the evaluation and follow-up on loans risks in accordance with the type of operation are as follows:

Second Tier Operations

- a) Modality "A" Financial Brokers defined as banks or factoring or leasing companies that form part of a financial group that includes a bank. Given the collection mechanism with a charge to its Banco de México account, these brokers are considered on the lowest risk scale.

A "Credit Risk Limit Assignment Methodology for Operating with Banks in México" has been established for these brokers, which sets forth the maximum credit risk levels that it is willing to accept with each one of these brokers, in both credit and discount operation, as well as financial market operations. The established limits are followed up on every day, and the limits are updated every month. Considering their high creditworthiness, supervision of the broker is carried out by monitoring the broker through the evolution of its risk rating, and annual visits are realized.

- b) Modality "B" Financial Brokers applies to all the IFNB that do not form part of a financial group that includes a bank. They are considered as a regular source of credit risk. Consequently, specific rules and regulations have been established that these brokers must comply with for brokering or trading with the Institution's resources.

Supervision mechanisms have been established for these brokers, which follow up on their financial evolution on a monthly basis, as well as compliance with the regulations that have been imposed thereon. In addition, credits granted to brokers are rated according to the drawdowns, and semester or annual supervision visits are realized based on their risk rating.

First Tier Operations

This operation is marginal for the Institution. A follow-up mechanism is established based on the portfolio credit risk rating, in accordance with the established guidelines.

Guarantee program operations

A monthly follow-up has been established for the operations portfolio of the guarantee program, which includes the analysis of harvests or crops, analysis of the results of the follow-up on the processes agreed upon with banks at a sample level, and the analysis of the financial evolution of the deeds of trust established in the Institution. Banks that participate in this program independently submit the credits supported under the guarantee program, into their credit risk follow-up policies and procedures, as well as the risk rating in accordance with the established guidelines.

- 11. Allowance for loan losses** - The Commission determines the bases for rating the loan portfolio. The provision applicable to loan risks is estimated monthly, based on quantitative and qualitative factors contemplated in the methodology for rating portfolios established by the Commission, which considers the analysis of the impaired portfolio, in accordance with the risk that it presents. NAFIN follows the practice of creating additional overall provisions to deal with possible contingencies in facing foreseeable risks.

Through the Provisions, the Commission establishes the loan portfolio rating methodologies based on the type of credits comprising it, so that it allows for:

- a) Evaluating each borrower, in the case of the consumer loan portfolio, taking into account the likelihood of nonperformance, the severity of the loss, and nonperformance exposure.
- b) Stratifying the portfolio based on the delinquency in payments which includes, in the case of the mortgage housing loan portfolio, the likelihood of nonperformance, severity of the loss, and nonperformance exposure, and the value of the credit guarantee, so that the amount of the preventive reserves required in each portfolio stratum is determined based thereon.

- c) Analyzing the creditworthiness of its debtors in the case of the commercial loan portfolio, and estimate possible losses so that the amount of the preventive reserves required is determined based thereon.
- d) Using internal methodologies prepared by the lending institutions themselves in accordance with the Provisions, when they evidence that the requirements have been met determined by the Commission for that purpose.

In accordance with the Provisions, the provision applicable to the mortgage housing and consumer loan portfolio is estimated monthly, based on the last day balances of each month.

In addition, the balances relative to the quarters that end in March, June, September, and December are used for purposes of rating the commercial portfolio. The applicable preventive reserves are recorded in the accounting at the end of every quarter, considering the balance of the debt recorded on the last day of the months referred to above. For the book entry in the two months subsequent to each quarter end, the pertinent rating is applied to the balance of the credit involved that has been used at the immediately preceding quarter, recorded on the last day of the months referred to above, when there is an interim rating subsequent to the quarter end. This rating can be applied to the balance of the debt recorded on the last day of the two months under discussion.

The legal system referred to above only included exposures payable by corporations and small and medium-sized companies (commercial portfolio other than financial entities). The rest of the portfolio, fundamentally financial entities, was rated in 2014.

12. **Other receivables, net** - The amounts applicable to the Institution's other receivables are provided for with a charge to income for the year, regardless of the likelihood of recovery, within 60 to 90 days subsequent to their initial book entry, depending on whether or not the balances are identified, respectively.
13. **Property, furniture and equipment net** - Property, furniture and equipment, as well as installation expenses, and leasehold improvements are recorded at the cost of acquisition. Assets that come from acquisitions up to December 31, 2007 were restated by applying factors derived from Investment Units (UDIS) from the date of acquisition up to that date. Relative depreciation and amortization are recorded by applying a percentage to the restated cost up to that date, determined based on the estimated economic useful life thereof.
14. **Repossessed assets or received as a dation in payment** - These assets are recorded at the lower of the cost of adjudication or fair value reduced from the costs and expenses strictly indispensable that are disbursed in their adjudication.

Assets acquired through judicial proceedings are valued as set forth in the Provisions, in accordance with the type of asset involved. The valuation is recorded against income for the year as other operating income (expenses).

The amount of the estimate that recognizes potential losses of value due to the elapsing of time of the assets acquired through judicial proceedings should be determined on the adjudicated value, based on the procedures set forth in the Provisions, and recognized in income for the year as other operating income (expenses).

In the event that the estimate referred to in the prior paragraph should be modified in accordance with the Provisions referred to above, that adjustment should be recorded against the amount of the previously recognized estimate as operating income (expenses).

At the time when assets acquired through judicial proceedings are sold, the difference between the selling price and carrying value of the asset acquired through judicial proceedings, net of estimates, should be recognized in the income for the year as other operating income (expenses).

15. **Income taxes** - Income tax is recorded in income for the year in which it is current and payable. Deferred income tax on earnings will be determined applying the applicable rate to the temporary differences that result from comparing book and tax values of assets and liabilities and, if applicable, the benefits of tax loss carryforwards and some tax credits are included. The deferred tax asset is recorded only when there is a high likelihood that it can be recovered.
16. **Other investments and permanent investments** - These are permanent investments in trusts and stock of companies in which there is no joint control, nor significant influence. They are initially recorded at the cost of acquisition. They are valued by using the equity method, considering the financial information relative to such entities when there is a practical impossibility of obtaining financial information from entities. The investment is adjusted to a zero value or its cost of acquisition. The adjustment procedure is selected by considering the prudential application criterion of the particular rules contained in FRS.
17. **Traditional deposits** - The liabilities for attracting funds through certificates of deposit, fixed term deposits, bank acceptances, promissory notes with liquid yield at maturity, loans from domestic and foreign banks, and bank bonds are recorded based on the contractual value of the obligation. Accrued interest is recognized in income for the year as interest expense.
18. **Interbank loans and from other agencies** - Liabilities from interbank loans are recorded based on the contractual value of the obligation. Accrued interest is recognized directly in income of the Institution as interest expense.
19. **Short-term direct employee benefits** - Such benefits are valued in proportion to the services rendered considering current salaries, and the liability is recognized as accrued. It mainly includes Employee Profit Sharing payable, compensated absences such as vacations, and vacation premium, and incentives.
20. **Long-term direct employee benefits** - The payments set forth by the Federal Labor Law and General Working Conditions (GWC) in effect to employees and workers who no longer render

their services are recorded as follows:

Compensations-

Non-substitutive payments of a retirement made to personnel who retire under certain circumstances are recorded as accrued, which are calculated by independent actuaries, based on the projected unit credit method by using nominal interest rates.

Seniority premium-

Seniority premiums payable to employees that have completed fifteen or more years of service, as provided for in the Federal Labor Law, are recognized as a cost during the years of service of personnel. There is a provision that covers the defined benefit obligation, which is calculated by actuarial calculations based on the projected unit credit method by using nominal interest rates.

In accordance with the Federal Labor Law, the Institution has a liability for indemnifying employees who are dismissed under certain circumstances, and an obligation to pay a seniority premium when they retire voluntarily (provided that they have completed fifteen or more years of service). They are dismissed for a justified reason and those who are terminated, regardless of whether or not for a justified cause, in the event of disability or they are invalid and, in case of the worker's death.

21. **Provisions** - Provisions are recognized when the Institution has a present obligation derived from a past event that probably results in the disbursement of economic resources (funds) and can be reasonably estimated.
22. **Employee Statutory Profit Sharing (ESPS)** - ESPS is recorded in income for the year in which it becomes due, and it is presented in the item of other income and expenses in the accompanying statement of income. Deferred employee profit sharing is determined by temporary differences resulting from comparing book and tax values of assets and liabilities. It is only recognized when it is likely that a liability will be liquidated or a benefit will be generated and there is no indicator that this situation is going to change, in such a way that this liability or benefit does not materialize.

Employee Profit Sharing is determined based on taxable income, in accordance with Article 9 of the Income Tax law (ISR Law). At December 31, 2015 and 2014, Employee Profit Sharing amounted to \$257 and \$310, respectively.

23. **Recognition of interest** - Interest generated on lending operations in effect are recognized and applied to income based on the accrued amount. Interest applicable to the nonperforming portfolio is applied to income at the time it is collected. Yields on interest relative to investments in securities are applied to income based on what is accrued.

Interests relative to borrowing operations are recognized in income as accrued, regardless of their due date.

For purposes of presentation of the statement of income, fees, premiums, and foreign exchange transactions are included in the item of interest income.

Fees charged for the initial granting of credits are recorded as a deferred credit, which is amortized as interest income, under the straight-line method during the life of the credit.

- 24. Brokerage fees** - Given the role of involvement realized by the Institution as a means of liaison between the lender of financing and the borrower, the Institution obtains a fee for its work of negotiating credits on the markets. That fee is recorded in the statement of income when generated in the item of "Commission and fee income".
- 25. Gain or loss on brokerage** - Gains or losses on brokerage derived from securities and derivative instruments trading, valuations at fair value of investments in securities and derivative financial instruments, and the recognition of the increase or decrease in the value of investments in securities.
- 26. Trusts** - The operations in which the Institution acts as a Trustee are recorded and controlled in memorandum accounts. In accordance with the ISR Law, the Institution acting as a Trustee is responsible for compliance with the tax obligations of the trusts that realize business activities up to the amount of the trust assets.
- 27. Foreign currency transactions** - Monetary assets and liabilities, as well as the items of the statements of income of foreign subsidiaries are translated at the closing exchange rate of the valuation date.
- 28. Clearing accounts** - For purposes of presentation of the financial statements, the balance of debit and credit clearing accounts may be offset, provided that they are derived from the same type of transactions, which have been carried out with the same counterparty and are liquidated on the same maturity date.
- 29. Impairment of long-lived assets** - The Institution reviews the carrying value of the long-lived assets in use with respect to the presence of any impairment indicator that might indicate that the carrying value might not be recoverable, considering the higher present value of the future net cash flows or the net selling price in the event of their eventual disposition. The impairment is recorded if the carrying value exceeds the higher of the values discussed above.

At December 31, 2015 and 2014, the Institution's long-lived assets do not present any impairment indicators.

NOTE 4. FOREIGN CURRENCY POSITION

At December 31, 2015 and 2014, the foreign currency position valued in local currency is summarized as follows:

	<u>2015</u>	<u>2014</u>
Assets	\$ 66,460	\$ 45,741
Liabilities	(67,226)	(46,026)
(Short) long position	<u>\$ (766)</u>	<u>\$ (285)</u>

At those same dates, foreign currency assets and liabilities (millions) are as follows:

	<u>2015</u>			<u>2014</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>	<u>Net</u>
US dollars	3,805	3,853	(48)	(22)
Japanese yen	5	-	5	10
Euros	40	39	1	1
Pounds sterling	2	-	2	2

Those foreign currency assets and liabilities are valued and documented in local currency as follows:

	<u>2015</u>			<u>2014</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>	<u>Net</u>
US dollars	\$ 65,625	\$ 66,451	\$ (826)	\$ (327)
Japanese yen	1	-	1	1
Euros	741	733	8	2
Pounds sterling	58	7	51	39
Special draft fees	35	35	-	-
	<u>\$ 66,460</u>	<u>\$ 67,226</u>	<u>\$ (766)</u>	<u>\$ (285)</u>

At December 31, 2015 and 2014, the value of the US dollar is equivalent to 17.2487 and 14.7414 Mexican pesos per US dollar, in conformity with the exchange rate published by the Banco de México (Banxico), respectively. Other currencies are valued considering their exchange rate in connection with the US dollar.

At the date of this report, the value of the US dollar is equivalent to 18.8148 Mexican pesos per US dollar, in conformity with the exchange rate published by Banxico. Other currencies are valued considering their exchange rate in connection with the US dollar.

NOTE 5. LIQUID ASSETS

At December 31, 2015 and 2014, the item of liquid assets is summarized as follows:

	<u>2015</u>	<u>2014</u>
Deposits in the Banco de México	\$ 13,075	\$ 13,075
Deposits in domestic and foreign banks	6,506	4,442
Call Money deposits	934	556
Other liquid assets	4	4
Liquid assets in subsidiaries	1	28
	<u>\$ 20,520</u>	<u>\$ 18,105</u>

Deposits in Banco de México apply to monetary regulation deposits, in conformity with the telefax circular 1/2007 issued by Banxico on January 27, 2007.

At December 31, 2015, deposits in domestic and foreign bank deposits had restricted spot buy trades of purchases of restricted foreign currencies amounting to \$6,279, whereas deposits in domestic and foreign banks did not have any restricted spot buy trades at December 31, 2014,

At December 31, 2015, the Institution maintained Call Money deposits at a term less than or equal to three bank business days in the amount of \$934, of which \$675 were contracted at an average rate of 3.20% in local currency, as well as \$259 at an average rate of 0.55% in foreign currency.

At December 31, 2014, the Institution maintained Call Money deposits at a term less than or equal to three bank business days in the amount of \$556 contracted at an average rate of 3.13% in local currency.

Liquid assets in foreign currency at December 31, 2015 and 2014 are summarized as follows:

	Amount in millions of foreign currency	Exchange rate		Equivalence in local currency
2 0 1 5				
US dollars	387	17.24870	\$	6,675
Japanese yen	4	0.14346		1
Euros	2	18.74934		30
Pounds sterling	2	25.43666		48
			\$	<u>6,754</u>
2 0 1 4				
US dollars	293	14.74140	\$	4,323
Japanese yen	9	0.12296		1
Euros	4	17.83857		80
Pounds sterling	2	22.98479		38
			\$	<u>4,442</u>

The item of other liquid assets at December 31, 2015 and 2014 includes coined gold precious metals in amount of \$3 for both years. These coins are valued at their market value.

NOTE 6. INVESTMENTS IN SECURITIES

As of December 31, 2015 and 2014, this item is summarized as shown below:

Trading securities:

6.20

Instrument	2015				2014
	Cost of acquisition	Accrued interest	Valuation	Carrying value	Carrying value
Shares of the Development Fund for the Securities Market (DFSM)	\$ 148	\$ -	\$ (52)	\$ 96	\$ 20
Bonds	10,418	3	8	10,429	5,074
Securities exchange certificate	5,388	10	(2)	5,396	3,452
CETES	6	-	-	6	3
Ipabonos	14,121	42	37	14,200	3,893
Promissory notes with liquid yield at maturity	725	-	-	725	3,000
<i>Restricted financial instruments:</i>					
Bonds	33,538	3	(212)	33,329	64,473
Securities exchange certificate	10,068	2	8	10,078	11,202
Ipabonos	83,691	13	(67)	83,637	97,695
Promissory notes with liquid yield at maturity	3,375	-	-	3,375	1,993
<i>Financial instruments placed in guarantee:</i>					
Ipabonos	27	-	-	27	113
<i>Investments in subsidiaries</i>					
	-	-	-	-	7
	<u>\$ 161,505</u>	<u>\$ 73</u>	<u>\$ (280)</u>	<u>\$ 161,298</u>	<u>\$ 190,925</u>

The terms at which these investments are agreed upon at December 31, 2015 and 2014 at their cost of acquisition are as follows:

Instrument	Less than one month	Between one and three months	More than three months	No fixed term	Total
2015					
Shares of the Development Fund for the Securities Market (DFSM)	\$ -	\$ -	\$ -	\$ 148	\$ 148
Bonds	6,227	-	4,191	-	10,418
Securities exchange certificate	-	-	5,388	-	5,388
CETES	4	-	2	-	6

Risk	Amount of liabilities	Estimate of the provision	
		% of allowance	Amount
2015			
A	\$ 200,525	0.00 0.99	\$ 1,505
B	28,229	1.00 19.99	581
C	662	20.00 59.99	44
D	96	60.00 89.99	32
E	1,731	90.00 100.00	1,388
Rated portfolio	231,243		3,550
Exempted portfolio:			
Federal Government	109		-
Additional estimates	-		753
Estimate for assignment of lines	-		400
	<u>\$ 231,352</u>		<u>\$ 4,703</u>
2014			
A	\$ 176,360	0.00 0.99	\$ 1,219
B	25,227	1.00 19.99	598
C	1,086	20.00 59.99	68
D	76	60.00 89.99	28
E	1,729	90.00 100.00	1,388
Rated portfolio	204,478		3,301
Exempted portfolio:			
Federal Government	1,013		-
Additional estimates	-		654
	<u>\$ 205,491</u>		<u>\$ 3,955</u>

Of the rated portfolio, \$339 were reduced commercial portfolio rated with risk grade E, for which the pertinent reserve was not created since the Institution has collateral received in cash at the Institution. The foregoing is presented as a loan portfolio in the respective risk weight in the accounting records.

At December 31, 2015 and 2014, the preventive estimate for credit risks amounts to \$53, which corresponds to the total interest in arrears account.

At those same dates, the preventive estimate for credit risks by type of credit is summarized as follows:

	<u>2015</u>	<u>2014</u>
Specific estimates:		
Loan portfolio:		
Business or commercial activity credits	\$ 370	\$ 254
Consumer lending	5	3
Mortgage loans	11	9
Loans to financial entities	2,768	2,686
Loans to government entities	59	52
	<u>3,213</u>	<u>3,004</u>

Available-for-sale securities:

At December 31, 2015 and 2014, liquid assets for sale are summarized in accordance with the following:

Instrument	2015			2014	
	Cost of acquisition	Accrued interest	Valuation	Carrying value	Carrying value
Sovereign debt	\$ 2,037	\$ 31	\$ (4)	\$ 2,064	\$ 1,519
Bonds issued by a Lending Institution	171	1	(4)	168	73
Debentures and other securities	3,018	53	(162)	2,909	2,479
	<u>\$ 5,226</u>	<u>\$ 85</u>	<u>\$ (170)</u>	<u>\$ 5,141</u>	<u>\$ 4,071</u>

The terms at which these investments are agreed upon at December 31, 2015 and 2014 at their cost of acquisition are as follows:

Instrument	More than one year	
	2015	2014
Sovereign debt	\$ 2,037	\$ 1,475
Bonds issued by a Lending Institution	171	73
Debentures and other securities	3,018	2,377
	<u>\$ 5,226</u>	<u>\$ 3,925</u>

Held-to-maturity securities

As of December 31, 2015 and 2014, medium and long-term debt securities are divided as follows:

Instrument	2015			2014	
	Cost of acquisition	Accrued interest	Carrying value	Carrying value	
Prides convertible bonds	\$ 4	\$ -	\$ 4	\$ 4	
Securities exchange certificate	98	28	126	954	
Segregable securities exchange certificate	4,386	1,249	5,635	4,595	
Sovereign debt	547	14	561	629	
Debentures and other securities	1,037	44	1,081	711	
Udibonos	165	44	209	206	
<i>Restricted financial instruments:</i>					
Segregable securities exchange certificate	4,109	1,169	5,278	5,597	
Total	<u>\$ 10,346</u>	<u>\$ 2,548</u>	<u>\$ 12,894</u>	<u>\$ 12,696</u>	

The terms at which these investments are agreed upon at December 31, 2015 and 2014 at their cost of acquisition are as follows:

<u>Instrument</u>	<u>Less than one year</u>	<u>More than one year</u>	<u>No fixed term</u>	<u>Total</u>
2015				
Prides convertible bonds	\$ -	\$ -	\$ 4	\$ 4
Securities exchange certificate	-	98	-	98
Segregable securities exchange certificate	-	4,386	-	4,386
Sovereign debt	-	547	-	547
Debentures and other securities	-	1,037	-	1,037
Udibonos	114	51	-	165
<i>Restricted financial instruments:</i>				
Segregable securities exchange certificate	4,109	-	-	4,109
Total	<u>\$ 4,223</u>	<u>\$ 6,119</u>	<u>\$ 4</u>	<u>\$ 10,346</u>

For the period from January 1 to December 31, 2015, interest income on investments in securities amounted to \$985. The gain on valuation amounted to \$314, and the gain or loss on securities trading amounted to \$111.

<u>Instrument</u>	<u>Less than one year</u>	<u>More than one year</u>	<u>No fixed term</u>	<u>Total</u>
2014				
Prides convertible bonds	\$ -	\$ -	\$ 4	\$ 4
Securities exchange certificate	-	895	-	895
Segregable securities exchange certificate	-	4,210	-	4,210
Sovereign debt	-	614	-	614
Udibonos	-	166	-	166
<i>Restricted financial instruments:</i>				
Segregable securities exchange certificate	-	4,438	-	4,438
Total	<u>\$ -</u>	<u>\$ 10,323</u>	<u>\$ 4</u>	<u>\$ 10,327</u>

For the period from January 1 to December 31, 2014, interest income on investments in securities amounted to \$1,175. The gain on valuation amounted to \$639, and the gain or loss on securities trading amounted to \$33.

At December 31, 2015 and 2014, no held-to-maturity securities have been reclassified to available-for-sale securities, nor have trading securities been reclassified to available-for-sale securities.

NOTE 7. REPURCHASE TRANSACTIONS

At December 31, 2015 and 2014, repurchase transactions (repos) are summarized as follows:

<u>Instrument</u>	<u>Received in guarantee</u>	<u>Collateral received and sold or furnished as a guarantee</u>	<u>Difference</u>
2015			
Governmental securities:			
Udibonos	\$ 63	\$ -	\$ 63
Ipabonos	3,941	3,941	-
Federal Government Development Bonds	27,994	27,744	250
Fixed rate bonds	4,556	4,556	-
	<u>\$ 36,554</u>	<u>\$ 36,241</u>	<u>\$ 313</u>
2014			
Governmental securities:			
CETES	\$ 1,859	\$ 287	\$ 1,572
Ipabonos	2,996	2,996	-
Federal Government Development Bonds	16,565	16,565	-
Fixed rate bonds	3,000	-	3,000
	<u>\$ 24,420</u>	<u>\$ 19,848</u>	<u>\$ 4,572</u>

At those same dates, the borrowing party of payables under repurchase agreements are as follows:

	<u>2015</u>	<u>2014</u>
Governmental securities:		
Bonds	\$ 33,541	\$ 64,607
Segregable securities exchange certificate	5,096	5,661
Ipabonos	83,709	98,027
	<u>122,346</u>	<u>168,295</u>
Bank securities:		
Securities exchange certificate	10,070	11,196
Promissory notes with liquid yield at maturity	3,376	1,993
	<u>13,446</u>	<u>13,189</u>
	<u>\$ 135,792</u>	<u>\$ 181,484</u>

For the period from January 1 to December 31, 2015, interest income and expense on repurchase transactions amounts to \$7,880 and \$6,328, respectively, and in 2014 income and expenses amounts to \$8,861 and expenses amounting to \$6,769 in 2014 respectively.

The contracting terms in repurchase transactions carried out by the institution are from 1 to 180 days.

NOTE 8. DERIVATIVES

At December 31, 2015 and 2014, the Institution maintains balances in derivative instruments trading as described below:

	<u>Lending balance</u>	<u>Borrowing balance</u>	<u>Debit balance</u>	<u>Credit balance</u>
2015				
<i>For trading purposes:</i>				
Futures	\$ 468	\$ 468	\$ -	\$ -
Valuation	-	(1)	1	-
	<u>468</u>	<u>467</u>	<u>1</u>	<u>-</u>
<i>For trading purposes:</i>				
Forward contracts	\$ 15,093	\$ 14,939	\$ 154	\$ -
Valuation	(2)	(16)	14	-
	<u>15,091</u>	<u>14,923</u>	<u>168</u>	<u>-</u>
Swaps	53,430	53,421	9	-
Total	<u>\$ 68,989</u>	<u>\$ 68,811</u>	<u>\$ 178</u>	<u>\$ -</u>
<i>For hedging purposes:</i>				
Swaps	<u>\$ 26,786</u>	<u>\$ 29,109</u>	<u>\$ -</u>	<u>\$ 2,323</u>
2014				
<i>For trading purposes:</i>				
Forward contracts	\$ 9,023	\$ 8,648	\$ 375	\$ -
Valuation of forward contracts	(1)	(15)	14	-
	<u>9,022</u>	<u>8,633</u>	<u>389</u>	<u>-</u>
Swaps	17,366	17,392	-	26
Total	<u>\$ 26,388</u>	<u>\$ 26,025</u>	<u>\$ 389</u>	<u>\$ 26</u>
<i>For hedging purposes:</i>				
Swaps	<u>\$ 17,239</u>	<u>\$ 16,873</u>	<u>\$ 366</u>	<u>\$ -</u>

Future and forward contracts (Forward):

For trading purposes:

	<u>2015</u>	<u>2014</u>
<i>Sales:</i>		
Contract value	\$ <u>15,407</u>	\$ <u>8,648</u>
Receivable	\$ <u>15,390</u>	\$ <u>8,633</u>
<i>Purchases:</i>		
Contract value	\$ <u>15,561</u>	\$ <u>9,023</u>
Deliverable	\$ <u>15,559</u>	\$ <u>9,022</u>
Book balance	<u>\$ 15</u>	<u>\$ 14</u>

The Institution participates on the Mexican Derivatives Market (MEXDER), through trading of interest rate and foreign currency futures, in accordance with the authorization granted by Banco de México.

In the case of dollar-peso forwards, the master contract does not stipulate maintaining guarantees for over the counter trades or in others than recognized markets. At any rate, penalties are assessed on the nonperforming counterparty on amounts in pesos or dollars, depending on the position in the trade. Moreover, the governing law and jurisdiction are agreed upon in the master contract which, if necessary, have to intervene to solve the discrepancies in the flow of foreign currencies.

Swaps:

For trading purposes:

	<u>Contract value</u>	<u>Receivable</u>	<u>Deliverable</u>	<u>Net position</u>
2015				
Interest rates	\$ 141,530	\$ 53,430	\$ 53,421	\$ 9
2014				
Interest rates	\$ 44,380	\$ 17,366	\$ 17,392	\$ (26)

For hedging purposes:

2015	\$ 68,810	\$ 26,786	\$ 29,109	\$ (2,323)
2014	\$ 51,767	\$ 17,239	\$ 16,873	\$ 366

Exchange rate and interest rate futures and forwards trading that are traded at the main office in México City are intended to manage proprietary positions, in order to obtain earnings in favor of the Institution.

In the case of dollar-peso forwards for trading purposes, fair value represents the amount that the two parties agree to exchange, based on the fact that both parties maintain sources of information in common on the main financial indicators that affect the prices of this type of derivative.

The difference between the fair value of the contract and the price of the forward stipulated therein, multiplied by the amount of the underlying asset and discounted at the date of the day at issue, represents the unrealized gain or loss under conditions of the financial environment at the time of carrying out the trade described above. Fair value is determined by the curve of prevailing bank rates of interbank transactions realized in México and reported by the independent pricing service, as well as similar rates in the United States of America.

The Institution carry out various analyses on underlying markets of the derivative products that are traded in order to determine and propose the risks implied in the Institution's position, through the Comprehensive Risk Management Committee (CAIR – Spanish acronym).

Futures trades and forward contracts involve recovery risks in the case of contractual fluctuations. In order to reduce the risks in trading these instruments, the Institution maintains offset positions.

At December 31, 2015 and 2014, hedge effectiveness/ineffectiveness derived from the application of Criterion B-5 "Derivatives and Hedge Transactions" of the Commission is described in detail below:

Fair value hedge swaps (application to income):

	<u>2015</u>	<u>2014</u>
Valuation of:		
Securities exchange certificate	\$ (35)	\$ 23
Promissory notes	-	(1)
Certificates of deposit	7	11
Total	<u>\$ (28)</u>	<u>\$ 33</u>

At December 31, 2015 and 2014, the Institution has only contracted swaps designated as fair value hedges.

Trading swaps (application to income):

	<u>2015</u>	<u>2014</u>
Interest rates	\$ 9	\$ (26)

The adjustments at carrying value from trades derived from interest rate hedges of financial assets and liabilities due to the application of Criterion B-5 "Derivatives and Hedge Trading" of the Commission at December 31, 2015 and 2014 are described in detail below:

	<u>2015</u>		<u>2014</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Securities exchange certificate \$	(490)	(435)	-	586
Promissory notes	7	7	-	4
Loan	1,797	1,536	193	104
Total	<u>\$ 1,314</u>	<u>\$ 1,108</u>	<u>\$ 193</u>	<u>\$ 694</u>

NOTE 9. LOAN PORTFOLIO

As of December 31, 2015 and 2014, the portfolio by type of loan is summarized as shown in the next page:

	<u>2015</u>	<u>2014</u>
Performing portfolio:		
Business or commercial activity credits	\$ 38,857	\$ 27,584
Loans to financial entities	119,788	109,677
Loans to government entities	10,901	9,975
Consumer lending	7	5
Mortgage loans	146	153
Federal government financial agent	109	1,013
	<u>169,808</u>	<u>148,407</u>
Nonperforming portfolio:		
Business or commercial activity credits	6	6
Loans to financial entities	1,870	1,870
Consumer lending	4	3
Mortgage loans	14	13
	<u>1,894</u>	<u>1,892</u>
Total	<u>\$ 171,702</u>	<u>\$ 150,299</u>

The nonperforming portfolio presents an increase amounting to \$2, caused mainly by accounting reclassification derived from the restructuring of commercial loans of Financial Entities.

At those same dates, the loan portfolio by source currency is summarized as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Performing</u>	<u>Nonperforming</u>	<u>Performing</u>	<u>Nonperforming</u>
Local Currency	\$ 134,386	\$ 1,894	\$ 123,366	\$ 1,892
Foreign Currency	35,422	-	25,041	-
Total	<u>\$ 169,808</u>	<u>\$ 1,894</u>	<u>\$ 148,407</u>	<u>\$ 1,892</u>

Credits granted as a Financial Agent apply to financing granted to Federal Government entities with resources obtained from international agencies for that specific purposes. They are presented in an independent item of the loan portfolio.

Credits to financial entities are granted to banking and non-banking entities, through the discount of notes payable by legal entities and sole proprietors engaged in business activities.

As of December 31, 2015, the credit institution does not report borrowings subject to Supporting Programs promoted by the Federal Government.

The balance of the nonperforming portfolio at December 31, 2015 and 2014 in a total amount of \$1,894 and \$1,892, respectively, since the date on which it was classified as nonperforming, is described in detail below:

	<u>Capital and interest</u>	<u>Amounts</u>	<u>Terms</u>
2015			
Business or commercial activity credits	\$ 6	\$ 6	More than two years
Loans to financial entities	1,870	1,870	More than two years
Consumer lending	4	1	1 to 180 days
Consumer lending	-	3	More than two years
Mortgage loans	14	2	1 to 180 days
Mortgage loans	-	12	More than two years
	<u>\$ 1,894</u>	<u>\$ 1,894</u>	
2014			
Business or commercial activity credits	\$ 6	\$ 6	More than two years
Loans to financial entities	1,870	1,870	More than two years
Consumer lending	3	1	1 to 180 days
Consumer lending	-	2	More than two years
Mortgage loans	13	2	1 to 180 days
Mortgage loans	-	11	More than two years
	<u>\$ 1,892</u>	<u>\$ 1,892</u>	

Nonperforming portfolio movements are presented below:

	<u>2015</u>	<u>2014</u>
Balances at January 1	\$ 1,892	\$ 1,731
Payments	-	(4)
Reclassification to nonperforming portfolio	2	165
Total	<u>\$ 1,894</u>	<u>\$ 1,892</u>

At December 31, 2015 and 2014, the balance of the nonperforming portfolio consists of 60 and 59 former employees, and 16 companies, respectively, of which 15 are in legal or out-of-court proceedings, and a sustained payment for 2016.

Loan portfolio interest and commission at December 31, 2015 and 2014 are summarized as shown below:

	<u>Interest</u>	<u>Fees on credit granted</u>	<u>Total</u>
2015			
Business or commercial activity credits	\$ 1,454	\$ 48	\$ 1,502
Loans to financial entities	4,267	46	4,313
Loans to government entities	392	-	392
Mortgage loans	1	-	1
Federal government financial agent	12	-	12
	<u>\$ 6,126</u>	<u>\$ 94</u>	<u>\$ 6,220</u>

6.30

	<u>Interest</u>	<u>Fees on credit granted</u>	<u>Total</u>
2014			
Business or commercial activity credits	\$ 1,341	\$ 23	\$ 1,364
Loans to financial entities	3,916	41	3,957
Loans to government entities	334	-	334
Mortgage loans	3	-	3
Federal government financial agent	51	2	53
	<u>\$ 5,645</u>	<u>\$ 66</u>	<u>\$ 5,711</u>

The effect derived from the suspension of the accrual of interest of the nonperforming portfolio represented a decrease to \$32 compared to 2014, derived from adjustments to balances recognized due to borrowers that went into commercial bankruptcy.

Fees collected do not have associated costs and expenses. Moreover, the weighted average term for amortization of fees collected for granting the initial credit is monthly.

As of December 31, 2015 and 2014, restructured loans are summarized as follows:

	<u>Performing</u>	<u>Nonperforming</u>	<u>Total</u>
2015			
Business or commercial activity credits	\$ 47	\$ 1	\$ 48
Financial entities	360	254	614
Housing	-	1	1
	<u>\$ 407</u>	<u>\$ 256</u>	<u>\$ 663</u>
2014			
Business or commercial activity credits	\$ 47	\$ 1	\$ 48
Financial entities	445	254	699
Housing	1	1	2
	<u>\$ 493</u>	<u>\$ 256</u>	<u>\$ 749</u>

At December 31, 2015 and 2014, restructured nonperforming loans balance includes \$163, corresponding to a reclassification made of a performing loan in 2014 that was restructured and in compliance with the accounting criteria of the Commission, had to be presented as nonperforming portfolio.

At December 31, 2015 and 2014, restructured interest income amounts to \$18 and \$25, respectively.

At December 31, 2015 and 2014, the percentage of concentration of the portfolio by sector is as shown in next page:

In accordance with the provisions of FRS D3 "Employee Benefits", the Institution recognized plan assets with respect to "other postretirement benefits" in its financial statements at December 31, 2015 and 2014, in the amounts of \$9,502 and \$8,847, respectively. Moreover, the net cost of the period recorded in income of the Institution amounted to \$855 and \$815, respectively.

The summary of the actuarial calculations at December 31, 2015 is as follows:

Item	Retirement	Seniority premium Retirement and termination	Other benefits at retirement	Special Loan for Savings (PEA) and Financial Cost of Credits
	Retirement	Retirement	Retirement	Retirement
Journal voucher for the recognition of losses and gains		Deferred amortization		
General description of benefits	In accordance with general labor conditions			
Vested Benefit Obligation	\$ 6,946	\$ 6	\$ 6,881	\$ 3,118

Reconciliation between the value of the Defined Benefit Obligation (DBO) and Plan assets (PA) with the Reserve or Project net Liability (PNP) at year end (a)

A. Defined Benefit Obligations (DBO)	\$ (7,577)	\$ (29)	\$ (8,655)	\$ (3,790)
B. Plan Assets (PA)	6,375	26	6,572	2,940
C. Funded Status	(1,202)	(3)	(2,083)	(850)
D. Actuarial (Gains) / losses	1,258	4	2,071	872
Net projected (Liability) / Asset at year end (PNP) (C+D)	\$ 56	\$ 1	\$ (12)	\$ 22
Amortization periods of unamortized items	6.11	11.14	14.63	N/A
Transition liability amortization period	N/A	N/A	N/A	N/A
Prior service amortization period	N/A	N/A	N/A	N/A

Net Cost for the Period 2015 (b)

A. Labor Cost	\$ 30	\$ 1	\$ 187	\$ 28
B. Financial Cost	445	2	518	211
C. Returns on Assets	(395)	(1)	(383)	(181)
D. Amortization PPA	104	-	449	26
Net cost for the Period	\$ 184	\$ 2	\$ 771	\$ 84

Risk	Amount of liabilities	Estimate of the provision	
		% of allowance	Amount
2015			
A	\$ 200,525	0.00 0.99	\$ 1,505
B	28,229	1.00 19.99	581
C	662	20.00 59.99	44
D	96	60.00 89.99	32
E	1,731	90.00 100.00	1,388
Rated portfolio	231,243		3,550
Exempted portfolio:			
Federal Government	109		-
Additional estimates	-		753
Estimate for assignment of lines	-		400
	<u>\$ 231,352</u>		<u>\$ 4,703</u>
2014			
A	\$ 176,360	0.00 0.99	\$ 1,219
B	25,227	1.00 19.99	598
C	1,086	20.00 59.99	68
D	76	60.00 89.99	28
E	1,729	90.00 100.00	1,388
Rated portfolio	204,478		3,301
Exempted portfolio:			
Federal Government	1,013		-
Additional estimates	-		654
	<u>\$ 205,491</u>		<u>\$ 3,955</u>

Of the rated portfolio, \$339 were reduced commercial portfolio rated with risk grade E, for which the pertinent reserve was not created since the Institution has collateral received in cash at the Institution. The foregoing is presented as a loan portfolio in the respective risk weight in the accounting records.

At December 31, 2015 and 2014, the preventive estimate for credit risks amounts to \$53, which corresponds to the total interest in arrears account.

At those same dates, the preventive estimate for credit risks by type of credit is summarized as follows:

	<u>2015</u>	<u>2014</u>
Specific estimates:		
Loan portfolio:		
Business or commercial activity credits	\$ 370	\$ 254
Consumer lending	5	3
Mortgage loans	11	9
Loans to financial entities	2,768	2,686
Loans to government entities	59	52
	<u>3,213</u>	<u>3,004</u>

	<u>2015</u>	<u>2014</u>
Contingent portfolio:		
Guarantees by endorsement executed	32	7
Guarantees furnished	305	290
Additional estimates	753	654
Estimate for assignment of lines	400	-
Total	\$ <u>4,703</u>	\$ <u>3,955</u>

The movements of the preventive estimate for credit risks are presented below:

	<u>2015</u>	<u>2014</u>
Balances at January 1	\$ 3,955	\$ 3,504
<i>Increases:</i>		
Discounts on recovery of debts	-	3
Creation of reserves for credit risks	1,253	1,592
Slippage of the foreign currency reserve	44	19
	<u>1,297</u>	<u>1,614</u>
<i>Applications:</i>		
Discounts on recovery of debts	2	3
Reversal of surplus reserves	547	1,154
Write-off of credit debts	-	6
Total	\$ <u>4,703</u>	\$ <u>3,955</u>

NOTE 11. OTHER RECEIVABLES, NET

At December 31, 2015 and 2014, other receivables are shown as follows:

	<u>2015</u>	<u>2014</u>
Loans to Institution personnel	\$ 2,379	\$ 2,245
Clearing accounts	179	359
Other receivables	32	38
Receivables for fees on current trading activities	76	89
Other receivables from subsidiaries	189	384
Payments receivable on swap trades	2,315	220
Estimates for write-offs of other receivables	(28)	(27)
Total	\$ <u>5,142</u>	\$ <u>3,308</u>

NOTE 12. REPOSSESSED ASSETS, NET

At December 31, 2015 and 2014, repossessed assets are summarized as follows:

	<u>2015</u>	<u>2014</u>
Real property	\$ 26	\$ 22
Securities	42	44
	<u>68</u>	<u>66</u>
Allowances (provisions) for write-offs	(51)	(41)
Total	<u>\$ 17</u>	<u>\$ 25</u>

The write-offs relative to repossessed assets recorded in income at December 31, 2015 and 2014 amount to \$7 and \$5, respectively.

In conformity with the Provisions, additional allowances (provisions) have been recognized for holding repossessed assets or out-of-court proceedings or received as a dation in payment.

NOTE 13. PROPERTY, FURNITURE AND EQUIPMENT, NET

At December 31, 2015 and 2014, property, plant and equipment are summarized as follows:

<u>Item</u>	<u>2015</u>			<u>2014</u>
	<u>Historical</u>	<u>Restatement</u>	<u>Total</u>	<u>Total</u>
Building	\$ 317	\$ 1,952	\$ 2,269	\$ 1,820
Furniture and equipment	138	96	234	229
Computer equipment	18	9	27	27
Land	13	-	13	449
Subtotal	<u>486</u>	<u>2,057</u>	<u>2,543</u>	<u>2,525</u>
Accumulated depreciation	(226)	(765)	(991)	(956)
Total	<u>\$ 260</u>	<u>\$ 1,292</u>	<u>\$ 1,552</u>	<u>\$ 1,569</u>

Depreciation expenses in 2015 and 2014 amounted to \$35 and \$33, respectively.

NOTE 14. OTHER INVESTMENTS

At December 31, 2015 and 2014, other permanent investments are summarized as shown below:

	<u>2015</u>	<u>2014</u>
Trust placed on Intermediate Securities Market	\$ 3	\$ 3
Technical Assistance S&ME Financing Programs Trust	9	4
México Design Center Sponsorship Trust	17	17
Eurocentro Nafin-México Trust	1	4
Venture Capital Trust	3	-
Total	<u>\$ 33</u>	<u>\$ 28</u>

NOTE 15. PERMANENT INVESTMENTS

At December 31, 2015 and 2014, stock in permanent investments is summarized as shown below:

	<u>2 0 1 5</u>	<u>2 0 1 4</u>
Corporación Andina de Fomento	\$ 2,289	\$ 1,988
Shares of other companies	33	36
	<u>2,322</u>	<u>2,024</u>
Investment of subsidiary companies	5,222	4,181
Total	<u>\$ 7,544</u>	<u>\$ 6,205</u>

NOTE 16. TERM DEPOSITS

At December 31, 2015 and 2014, the terms to maturity of these securities are as follows:

	<u>2 0 1 5</u>	<u>2 0 1 4</u>
Less than one year	\$ 118,335	\$ 108,926
Five years	7,152	7,152
	<u>125,487</u>	<u>116,078</u>
Unpaid accrued interest	247	532
	<u>\$ 125,734</u>	<u>\$ 116,610</u>

NOTE 17. NEGOTIABLE INSTRUMENTS ISSUED IN THE COUNTRY

The balance of this item consists of stock certificates as follows:

<u>Inception</u>	<u>Expiration</u>	<u>Securities (millions)</u>	<u>Face value (pesos)</u>	<u>% Rate</u>	<u>2 0 1 5</u>	<u>2 0 1 4</u>
12/10/2010	12/04/2015	25	100	3.81	\$ -	\$ 2,500
08/03/2012	07/22/2022	20	100	5.69	2,000	2,000
12/10/2012	07/22/2022	20	100	5.69	2,000	1,966
11/22/2013	11/18/2016	20	100	3.27	2,000	2,000
11/22/2013	03/08/2024	30	100	6.55	3,000	2,996
03/14/2014	11/18/2016	12.5	100	3.27	1,250	1,250
03/14/2014	03/08/2024	47.5	100	6.55	4,750	4,708
06/06/2014	06/02/2017	20	100	3.24	2,000	2,000
06/06/2014	03/08/2024	40	100	6.55	4,000	4,000
09/26/2014	06/02/2017	17.5	100	3.24	1,750	1,751
09/26/2014	03/08/2024	32.5	100	6.55	3,250	3,253

<u>Inception</u>	<u>Expiration</u>	<u>Securities (millions)</u>	<u>Face value (pesos)</u>	<u>% Rate</u>	<u>2 0 1 5</u>	<u>2 0 1 4</u>
04/17/2015	03/07/2025	60	100	6.15	6,000	-
04/17/2015	04/13/2018	10	100	3.23	1,000	-
08/24/2015	04/13/2018	30	100	3.48	3,000	-
08/24/2015	03/07/2025	40	100	6.15	4,000	-
Accrued interest payable					569	401
					<u>\$ 40,569</u>	<u>\$ 28,825</u>

NOTE 18. NEGOTIABLE INSTRUMENTS ISSUED ABROAD

At December 31, 2015 and 2014, the balance of this item amounts to \$19,660 and \$18,555, respectively.

The current balances of securities placed by the Institution abroad are presented in this item, which is summarized as follows:

<u>Currency</u>	<u>Securities</u>	<u>Source currency</u>		<u>% Average rate</u>	<u>Balance in local currency</u>	<u>Term</u>
		<u>Value</u>	<u>Interest</u>			
2 0 1 5						
US dollars	54	1,127	2	0.53976	\$ 19,473	less than one year
Euros	1	10	-	0.03000	187	less than one year
					<u>\$ 19,660</u>	
2 0 1 4						
US dollars	54	1,221	1	0.40138	\$ 18,020	less than one year
Euros	3	30	-	0.20333	535	less than one year
					<u>\$ 18,555</u>	

Securities Notes:

At December 31, 2015, the balance in this item amounting to \$8,670 is summarized as follows:

<u>Currency</u>	<u>Source currency</u>		<u>% Rate</u>	<u>Balance in local currency</u>	<u>Term</u>
	<u>Value</u>	<u>Interest</u>			
US dollars	500	3	3.37500	<u>\$ 8,670</u>	5 years

The Institution issued the first México's "Green Bond" in the amount of USD 500 million over a five-year term at a fixed coupon rate of 3.375%, thereby marking its return to the International Financial Markets after an 18-year absence. The transaction had a demand exceeding USD 2 billion 500 million, which oversubscribed more than five times to one of the total amount placed, and a loan book of 60 international investors, which improves the liquidity gaps in the balance sheet in foreign currency, and computes in recognized indexes on international markets. This issue had the support of Sustainalytics B.V., an environmental, social, and governance (ESG) research and analysis provider, as well as the Climate Bond Certification internationally recognized certification issued by the Climate Bond Initiative. Moreover, this bond highlighted México's commitment in being one of the main world promoters of sustainable development and promoting appropriate measures against climate change, thereby reaffirming its leadership as the first development bank in Latin America to issue a bond of this type. It is important to note that the total proceeds will be allocated exclusively to financing renewable energy projects (eolic or wind parks).

NOTE 19. INTERBANK LOANS AND LOANS FROM OTHER AGENCIES

This item consists mainly of credits received from foreign financial institutions at current market or preferential based. Their analysis based is as follows:

	<u>2 0 1 5</u>	<u>2 0 1 4</u>
Multinational and governmental agencies:		
World Bank	\$ 863	\$ 737
Inter-American Development Bank	7,274	5,680
Others	2,985	883
	<u>11,122</u>	<u>7,300</u>
Domestic banking institutions	12,531	5,376
Other loans	55	1,079
Unpaid accrued interest	41	17
	<u>\$ 23,749</u>	<u>\$ 13,772</u>

At December 31, 2015 and 2014, maturities at a term less than one-year amount to \$14,030 and \$6,675, respectively.

At December 31, 2015, interbank loans and from other agencies are summarized as follows:

<u>Financial Agency</u>	<u>Average rate</u>	<u>Average term to maturity (residual)</u>	<u>Millions in source currency</u>	<u>Local currency</u>
Short-term:				
Local Currency	3.22000	15 days	-	\$ 8,000
Euros	2.00000	182 days	1	11
US dollars:				
Commercial banking	0.91555	77 days	175	3,019
NF BID Cclip 2226 oc Me Pemex S&ME Development	1.52000	350 days	5	86
Corporación Andina de Fomento	0.83002	63 days	165	<u>2,845</u>
				<u>5,950</u>

<u>Financial Agency</u>	<u>Average rate</u>	<u>Average term to maturity (residual)</u>	<u>Millions in source currency</u>	<u>Local currency</u>
Financial Broker				
Euros:				
Inter-American Development Bank Washington, D.C.	3.00000	290 days	1	16
Special draft fees	1.16000	213 days	-	12
Interest			-	41
Total			\$	<u>14,030</u>
Long-term:				
US dollars:				
NF BID Cclip 2226 oc Me Pemex S&ME Development	1.52000	19 years 6 months	93	1,596
NF ctf BIRF 98062 Electrodomestic Substitution Program	0.75000	14 years 9 months	50	862
NF BID 2671 Oc Me Unemployment Support Program of México	1.52000	21 years	50	862
2631 tc Me Renewable Energy Financing Program	0.75000	16 years 7 months	70	1,207
NF BID Cclip 2843/oc-Me Condition Credit Line Program me-x1010	1.52000	22 years 4 months	100	1,725
NF BID 3237/OC-ME Co-generation E. Financing Stimulus Program	1.52000	24 years 5 months	100	1,725
Others	1.54773	5 years 5 months	69	1,200
Euros	1.42200	8 years	23	462
				<u>9,639</u>
Financial Broker				
Euros:				
Inter-American Development Bank Washington, D.C.	3.00000	4 years 4 months	3	57
Special draft fees	1.16000	2 years 8 months	1	23
Total			\$	<u>9,719</u>

At December 31, 2014, interbank loans and from other agencies are summarized as follows:

<u>Financial Agency</u>	<u>Average rate</u>	<u>Average term to maturity (residual)</u>	<u>Millions in source currency</u>	<u>Local currency</u>
Demand deposits				
Local Currency	3.00000	2 days	\$	<u>1,000</u>

6.39

Financial Agency	Average rate	Average term to maturity (residual)	Millions in source currency	Local currency
Short-term:				
US dollars:				
Commercial banking	0.62688	84 days	270	3,980
NF BID Cclip 2226 oc Me Pemex S&ME Development	1.12000	365 days	3	37
Corporación Andina de Fomento	0.74230	169 days	50	737
				<u>4,754</u>
Financial Broker				
US dollars:				
Inter-American Development Bank Washington, D.C.	3.36866	150 days	59	879
Euros:				
Inter-American Development Bank Washington, D.C.	3.00000	285 days	1	15
Special Draft fees:				
Inter-American Development Bank Washington, D.C.	1.12000	213 days		10
Interest				17
Total			\$	<u>5,675</u>
Long-term:				
US dollars:				
NF BID Cclip 2226 oc Me Pemex S&ME Development	1.12000	20 years 6 months	98	1,437
NF ctf BIRF 98062 Electrodomeestic Substitution Program	0.75000	15 years 9 months	50	737
NF BID 2671 Oc Me Unemployment Support Program of México	1.12000	22 years	50	737
2631 tc Me Renewable Energy Financing Program	0.75000	17 years 7 months	70	1,032
NF BID Cclip 2843/oc-Me Condition Credit Line Program me-x1010	1.12000	23 years 11 months	100	1,474
Others	1.53156	6 years 5 months	77	1,141
				<u>6,558</u>
Euros	1.52300	7 years	25	437
Financial Broker				
Euros:				
Inter-American Development Bank Washington, D.C.	3.00000	5 years 4 months	4	70
Special Draft fees	1.12000	3 years 8 months	1	32
Total				\$ <u>7,097</u>

The accounts of credits obtained not yet drawn down (Note 28) represents the lines of credit granted to the Institution not exercised at year end, as itemized below:

	<u>2015</u>	<u>2014</u>
Banco de México	\$ 499	\$ 472
Kreditanstalt Fur Wiederaufbau Frankfurt	604	575
Inter-American Development Bank	5,792	-
Subsidiaries	664	1,273
Total	<u>\$ 7,559</u>	<u>\$ 2,320</u>

NOTE 20. OTHER PAYABLES

At December 31, 2015 and 2014, this item consists of the following reserves and provisions:

	<u>2015</u>	<u>2014</u>
Other liabilities	\$ 584	\$ 650
Taxes on earnings payable	364	1,012
Employee profit sharing payable	257	310
Provisions for other items	100	68
Payables under memorandum accounts	-	518
Payables for cash collateral received	5	-
Clearing accounts	410	3,000
Security deposits	3	3
Total	<u>\$ 1,723</u>	<u>\$ 5,561</u>

NOTE 21. DIRECT LONG-TERM EMPLOYEE BENEFITS

a) Defined Contribution Retirement Plan -

Beginning 2006, the Institution modified the General Work Conditions (GWC) based on the trends and best practices with respect to managing and operating retirement schemes and pensions, in order to incorporate new employees, as well as those who decided to migrate from defined benefits system to defined contribution system. This scheme allows for having greater control over costs and liabilities of the plan, maintain an adequate cost-benefit ratio for the Institution and for workers, and it establishes clear contribution or retirement rules.

This plan consists of the contributions made by the Institution to open individual accounts in the name of each worker, which are divided into two subsidiary accounts denominated "A" and "B", respectively. It further consists of contributions made by the worker to subsidiary account "B" and on the yields generated by both subsidiary accounts, which are jointly identified as the worker's individual account.

The amount of contributions of the period allocated to income amounted to \$27 and \$23, respectively, at December 31, 2015 and 2014.

	2 0 1 4		
	Total	Local currency	Foreign currency
Interest income			
Interest on performing loan portfolio			
Commercial credits	\$ 1,341	\$ 1,111	\$ 230
Housing lending	2	2	-
Loans to government entities	334	333	1
Loans granted as a (Financial) Agent of the Federal Government	51	-	51
Loans to financial entities	3,916	3,718	198
	<u>5,644</u>	<u>5,164</u>	<u>480</u>
Interest income on nonperforming loan portfolio			
Housing lending	1	1	-
	<u>1</u>	<u>1</u>	<u>-</u>
Interest and yields earned on investments in securities:			
Trading securities	227	227	-
Available-for-sale securities	162	-	162
Held-to-maturity securities	786	745	41
	<u>1,175</u>	<u>972</u>	<u>203</u>
Interest and yields earned in repurchase agreement transactions			
Repurchase transactions	8,861	8,861	-
	<u>8,861</u>	<u>8,861</u>	<u>-</u>
Interest from liquid assets			
Banks	7	-	7
Restricted liquid assets	444	434	10
	<u>451</u>	<u>434</u>	<u>17</u>
Fees income from lending transactions (adjustment on yield)			
Commercial credits	66	64	2
Revenues from hedge trading	(1,088)	(1,148)	60
Net equity dividends	2	2	-
Subsidiaries	45	45	-
Total interest income	<u>\$ 15,157</u>	<u>\$ 14,395</u>	<u>\$ 762</u>
Interest expenses			
Interest on term deposits	\$ 3,744	\$ 3,687	\$ 57
Interest on negotiable instruments issued	1,212	1,150	62
Interest payable on interbank loans and loans for other Agencies	179	40	139
Interest and yields payable in repurchase agreement transactions	6,769	6,769	-
Expenses from hedge trading	(1,541)	(1,541)	-
	<u>10,363</u>	<u>10,105</u>	<u>258</u>
Exchange loss on appreciation	70	-	70
Total interest expense	<u>\$ 10,433</u>	<u>\$ 10,105</u>	<u>\$ 328</u>
Net interest income	<u>\$ 4,724</u>	<u>\$ 4,290</u>	<u>\$ 434</u>

In accordance with the provisions of FRS D3 "Employee Benefits", the Institution recognized plan assets with respect to "other postretirement benefits" in its financial statements at December 31, 2015 and 2014, in the amounts of \$9,502 and \$8,847, respectively. Moreover, the net cost of the period recorded in income of the Institution amounted to \$855 and \$815, respectively.

The summary of the actuarial calculations at December 31, 2015 is as follows:

Item	Retirement	Seniority premium	Other benefits at retirement	Special Loan for Savings (PEA) and Financial Cost of Credits
	Retirement	Retirement and termination	Retirement	Retirement
Journal voucher for the recognition of losses and gains			Deferred amortization	
General description of benefits		In accordance with general labor conditions		
Vested Benefit Obligation	\$ <u>6,946</u>	\$ <u>6</u>	\$ <u>6,881</u>	\$ <u>3,118</u>

Reconciliation between the value of the Defined Benefit Obligation (DBO) and Plan assets (PA) with the Reserve or Project net Liability (PNP) at year end (a)

A. Defined Benefit Obligations (DBO)	\$ (7,577)	\$ (29)	\$ (8,655)	\$ (3,790)
B. Plan Assets (PA)	<u>6,375</u>	<u>26</u>	<u>6,572</u>	<u>2,940</u>
C. Funded Status	(1,202)	(3)	(2,083)	(850)
D. Actuarial (Gains) / losses	<u>1,258</u>	<u>4</u>	<u>2,071</u>	<u>872</u>
Net projected (Liability) / Asset at year end (PNP) (C+D)	\$ <u>56</u>	\$ <u>1</u>	\$ <u>(12)</u>	\$ <u>22</u>
Amortization periods of unamortized items	6.11	11.14	14.63	N/A
Transition liability amortization period	N/A	N/A	N/A	N/A
Prior service amortization period	N/A	N/A	N/A	N/A

Net Cost for the Period 2015 (b)

A. Labor Cost	\$ 30	\$ 1	\$ 187	\$ 28
B. Financial Cost	445	2	518	211
C. Returns on Assets	(395)	(1)	(383)	(181)
D. Amortization PPA	<u>104</u>	<u>-</u>	<u>449</u>	<u>26</u>
Net cost for the Period	\$ <u>184</u>	\$ <u>2</u>	\$ <u>771</u>	\$ <u>84</u>

Main hypothesis used:

	(a) Dec-15	(b) Dec-14
Discount rate	6.25%	6.25%
AP Rate of return	6.25%	6.25%
Rate of general wage increase	4.00%	4.00%
Rate of minimum wage increase	3.50%	3.50%
Medical inflation rate	9.00%	8.00%

- (a) Actuarial values determined at 2015-year end were determined by the Bufete Matemático Actuarial, S.C. firm by considering the assumptions of December 31, 2015.
- (b) The assumptions of December 31, 2014 were used to determine the net cost for the period of 2015.

Following is a summary of the actuarial calculations as of December 31, 2014:

Item	Retirement	Seniority premium Retirement and termination	Other benefits at retirement	Special Loan for Savings (PEA) and Financial Cost of Credits
	Retirement	Retirement and termination	Retirement	Retirement
Journal voucher for the recognition of losses and gains		Deferred amortization		
General description of benefits	In accordance with general labor conditions			
Vested Benefit Obligation	\$ 6,479	\$ 6	\$ 5,884	\$ 2,980

Reconciliation between the value of the Defined Benefit Obligation (DBO) and Plan assets (PA) with the Reserve or Project net Liability (PNP) at year end (c)

A. Defined Benefit Obligations (DBO)	\$ (7,358)	\$ (32)	\$ (7,340)	\$ (3,461)
B. Plan Assets (PA)	6,473	30	5,882	2,944
C. Funded Status	(885)	(2)	(1,458)	(517)
D. Actuarial (Gains) / losses	941	2	1,446	539
Net projected (Liability) / Asset at year end (PNP) (C+D)	\$ 56	\$ -	\$ (12)	\$ 22
Amortization periods of unamortized items	N/A	5.18	14.29	N/A
Transition liability amortization period	N/A	N/A	N/A	N/A
Prior service amortization period	N/A	N/A	N/A	N/A
Net Cost for the Period 2014 (d)				
E. Labor Cost	\$ 27	\$ 2	\$ 40	\$ 31
F. Financial Cost	423	2	395	212
G. Returns on Assets	(382)	(1)	(324)	(169)
H. Amortization PPA	12	-	543	87
Net cost for the Period	\$ 80	\$ 3	\$ 654	\$ 161

Main hypothesis used:

	(c) Dec-14	(d) Dec-13
Discount rate	6.25%	6.25%
AP Rate of return	6.25%	6.25%
Rate of general wage increase	4.00%	4.00%
Rate of minimum wage increase	3.50%	3.50%
Medical inflation rate	8.00%	7.00%

(c) Actuarial values determined at 2014 year end were determined by the Farell Grupo de Consultoría firm by considering the assumptions of December 31, 2014.

(d) The assumptions of December 31, 2013 were used to determine the net cost for the period of 2014.

At those same dates, the general information of the pension and retirement plan is:

	2015	2014
Number of employees	1,017	983
Annual base payroll	\$ 257	\$ 241
Annual computed payroll	\$ 450	\$ 428
Average current age	43.46	44.28
Average seniority	12.94	14.36
Number of pensioners	1,526	1,521
Annualized pension payroll	\$ 483	\$ 451
Average current age	69.57	69.23

Statement of status

At December 31, 2015 and 2014, the statement of status is as follows:

	Retirement pension plan	Seniority premium Retirement and termination	Other benefits at retirement	
			Medical service, savings fund, insurance, athletic club	PEA and financial cost of credits
	Retirement	Retirement	Retirement	Retirement
2015				
Defined benefit obligation	\$ (7,577)	\$ (29)	\$ (8,655)	\$ (3,790)
Plan assets	6,375	26	6,572	2,940
Defined benefits obligation in excess of the plan assets	(1,202)	(3)	(2,083)	(850)
Actuarial (gain) / loss carryforward	1,258	4	2,071	872
Projected net (Liability) / Asset	\$ 56	\$ 1	\$ (12)	\$ 22

	Retirement pension plan		Other benefits at retirement	
			Medical service, savings fund, insurance, athletic club	PEA and financial cost of credits
	Retirement	Seniority premium Retirement and termination	Retirement	Retirement
2014				
Defined benefit obligation	\$ (7,358)	\$ (32)	\$ (7,340)	\$ (3,460)
Plan assets	6,473	30	5,882	2,943
Defined benefits obligation in excess of the plan assets	(885)	(2)	(1,458)	(517)
Actuarial (gain) / loss carryforward	941	2	1,446	539
Projected net (Liability) / Asset	\$ 56	\$ -	\$ (12)	\$ 22

Reconciliation of the book provision

At those same dates, the reconciliation of the book provision is as follows:

	Retirement pension plan		Other benefits at retirement	
			Medical service, savings fund, insurance, athletic club	PEA and financial cost of credits
	Retirement	Seniority premium Retirement and termination	Retirement	Retirement
2015				
Balance at beginning of year	\$ (56)	\$ -	\$ 12	\$ (22)
Net cost for the period in accordance with FRS D-3	184	1	1	84
Contribution made to the fund	(184)	(2)	(1)	(84)
Final balance	\$ (56)	\$ (1)	\$ 12	\$ (22)
2014				
Balance at beginning of year	\$ (56)	\$ -	\$ 12	\$ (22)
Net cost for the period in accordance with FRS D-3	80	3	654	161
Contribution made to the fund	(80)	(3)	(654)	(161)
Final balance	\$ (56)	\$ -	\$ 12	\$ (22)

In conformity with the provisions in the modifications of the Provisions published in the Official Daily Gazette (ODG) on December 31, 2015, and with the effectiveness of the new FRS D-3 issued by the CINIF, the Institution selected the progressive application referred to in temporary statute three of the above Provisions.

Pursuant to the foregoing, the balances indicated in paragraphs a) and b) of paragraph 81.2 of FRS D-3, balance of plan amendments not yet recognized and the accrued balance of plan gains and losses not recognized, respectively, will be recognized no later than fiscal 2021, by recognizing 20 % beginning with its opening application, and an additional 20 % in each one of the subsequent years until reaching 100% in a maximum period of 5 years.

The CNBV was advised by the Institution of its decision to select the progressive application of the recognition of those balances on a timely basis.

The balance of plan amendments not yet recognized and accumulated balance of losses on the plan not yet recognized present an amount of \$(0.085) and \$(4,205), respectively. The initial effects that the application of FRS D-3 will have beginning the year in which its application starts is shown below:

- 1) The total balance of plan amendments not yet recognized amounting to \$(0.085), which will be recorded against prior year income.
- 2) At 20% of the accumulated balance of plan losses amounting to \$(841) will be recorded in capital gains in the account of "Remeasurements of defined employee benefits". The remaining balance amounting to \$(3,364) will be applied in subsequent fiscal years over a maximum period of 5 years.

NOTE 22. INCOME TAX

The Institution is subject to the Income Tax law in 2015 and 2014.

Income tax is calculated at 30% rate considering certain impacts of inflation as taxable or deductible, such as depreciation calculated on constant values in constant pesos. The effect of inflation on certain monetary assets and liabilities is accumulated or deducted through the adjustment on inflation.

The provision in Income Tax is summarized as follows:

	<u>2015</u>	<u>2014</u>
Current	\$ (716)	\$ (929)
Deferred	\$ 324	\$ 321

From 2014, only Deferred Income Tax and Employee Statutory Profit Sharing are calculated.

The main items included in the deferred tax accounts of the Institution and its subsidiaries are as follows:

	<u>2015</u>	<u>2014</u>
Liabilities:		
Investments in nondeductible fixed assets	\$ 296	\$ 287
Other assets	406	197
	\$ 702	\$ 484

6.47

	<u>2015</u>	<u>2014</u>
Assets:		
Provisions	\$ -	\$ (29)
Valuation of permanent investments	(90)	(62)
Others	<u>(950)</u>	<u>(517)</u>
	<u>(1,040)</u>	<u>(608)</u>
Taxes on earnings	(338)	(124)
Deferred Employee Statutory Profit Sharing	(203)	(114)
Deferred taxes (net)	<u>\$ (541)</u>	<u>\$ (238)</u>

In 2015 and 2014, the effective rates stated as a percentage of income taxes are:

	<u>2015</u>	<u>2014</u>
Statutory rate	30.00%	30.00%
Add (less) :		
Nondeductible expenses	2.44%	1.32%
Portfolio provisions	17.50%	7.23%
Statutory Profit Sharing	(1.14%)	2.11%
Effects of inflation, net	(6.55%)	(7.76%)
Deferred tax	(19.15%)	(13.99%)
Others	<u>0.07%</u>	<u>7.59%</u>
Effective rate	<u>23.17%</u>	<u>26.50%</u>

NOTE 23. STOCKHOLDERS' EQUITY

a) Capital stock. -

At December 31, 2015, the Institution's capital stock is summarized as follows:

	<u>2015</u>	<u>2014</u>
Subscribed capital:		
<i>Series "A"</i>		
31,548,000 Certificates of Capital Contribution (CAPs) with a value amounting to fifty pesos each one.	\$ 1,577	\$ 1,577
<i>Series "B"</i>		
16,252,000 Certificates of Capital Contribution with a value amounting to fifty pesos each one.	<u>813</u>	<u>813</u>
Total subscribed for capital	<u>2,390</u>	<u>2,390</u>
Unissued capital:		
<i>Series "A"</i>		
7,888,728 Certificates of Capital Contribution with a value amounting to fifty pesos each one.	(393)	(393)
<i>Series "B"</i>		
4,053,586 Certificates of Capital Contribution with a value amounting to fifty pesos each one.	<u>(203)</u>	<u>(203)</u>
Total unissued capital	<u>(596)</u>	<u>(596)</u>

	<u>2015</u>	<u>2014</u>
Subscribed for and paid-in capital stock:		
<i>Series "A"</i>		
23,679,272 Certificates of Capital Contribution with a value amounting to fifty pesos each one.	1,184	1,184
<i>Series "B"</i>		
12,198,414 Certificates of Capital Contribution with a value amounting to fifty pesos each one.	610	610
Total subscribed for and paid-in capital stock	<u>1,794</u>	<u>1,794</u>
Increase from restatement	7,011	7,011
Total	<u>\$ 8,805</u>	<u>\$ 8,805</u>

Series "A" represents 66% of the institution's capital, which may only be subscribed by the Federal Government, and Series "B" for the remaining 34%.

b) Contribution for future capital stock increases. -

As of December 31, 2015 and 2014, its value amounts to \$1,950.

c) Paid stock premium. -

This premium applies to payments made by holders of Series "B" CAPs. The balance of the premiums paid at December 31, 2015 and 2014 amounts to \$8,922.

d) Capital reserves. -

The nominal value of these reserves at Thursday, December 31, 2015 and 2014 amounts to \$314, and its restated value in both years' end amounts to \$1,730.

e) Prior year losses. -

As of December 31, 2015 and 2014, the summary of the account balance is as follows:

	<u>2015</u>	<u>2014</u>
Gain or loss on the adjustment of changes in accounting policies by the Commission in Circular 1343.	\$ (2,860)	\$ (2,860)
Prior year income / loss	5,989	4,327
Creation of provisions for assets acquired through judicial proceedings	(260)	(260)
RETANM realized	(13)	(13)
Pension reserve, PEA, and retiree loans.	<u>(4,310)</u>	<u>(4,310)</u>
	(1,454)	(3,116)
Gain or loss on valuation in associated and affiliated companies	3,286	3,286
Adjustment on accumulated depreciation of furniture and equipment	(96)	(96)
Deferred taxes	<u>(333)</u>	<u>(333)</u>
	<u>\$ 1,403</u>	<u>\$ (259)</u>

f) Gain or loss on valuation of available-for-sale securities. -

The adjustments derived from valuations at market of available-for-sale securities are recorded in this line item. The gain or loss is recorded as carried out in income up to the fiscal year in which the security is sold or reaches maturity.

As of December 31, 2015 and 2014, the gain or loss on valuation of available-for-sale securities at market is summarized as follows:

	<u>2015</u>	<u>2014</u>
Valuation of available-for-sale securities	\$ <u>(290)</u>	\$ <u>(52)</u>

g) Effects of valuation of associated and affiliated companies. -

As of December 31, 2015 and 2014, its value amounts to \$288 and \$162, respectively.

h) Legal provisions. -

On November 23, 2008, the SHCP published rules for the capitalization requirements of Full-Service Banking Institutions and National Lending Institutions, Development Banking Institutions, which are effective for years beginning January 1, 2010. These capitalization rules set forth the requirements with specific levels of net capital, as a percentage of both market and credit risk assets. In this particular respect, there is a 13.57% level confirmed by the Bank of México at December 31, 2015.

Cash dividends received by legal entities resident in national territory are not subject to a withholding taxes, unless they are drawn on items other than the Net Taxable Income Account (CUFIN – Spanish acronym).

NOTE 24. MAIN ITEMS THAT COMPRISE THE STATEMENT OF INCOME

The main items that comprise the Institution's Income (loss) at December 31, 2015 and 2014 are as follows:

	<u>2015</u>		
	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Interest income			
Interest on performing loan portfolio			
Commercial credits	\$ 1,454	\$ 888	\$ 566
Housing lending	1	1	-
Loans to government entities	392	391	1
Loans granted as a (Financial) Agent of the Federal Government	12	-	12
Loans to financial entities	4,267	4,010	257
	<u>6,126</u>	<u>5,290</u>	<u>836</u>

	2 0 1 5		
	Total	Local currency	Foreign currency
Interest and yields earned on investments in securities			
Trading securities	195	195	-
Available-for-sale securities	228	-	228
Held-to-maturity securities	562	514	48
	<u>985</u>	<u>709</u>	<u>276</u>
Interest and yields earned in repurchase agreement transactions			
Repurchase transactions	7,880	7,880	-
	<u>7,880</u>	<u>7,880</u>	<u>-</u>
Interest from liquid assets			
Banks	7	-	7
Restricted liquid assets	443	435	8
	<u>450</u>	<u>435</u>	<u>15</u>
Fees income from lending transactions (adjustment on yield)			
Commercial credits	94	93	1
Revenues from hedge trading	(1,243)	(1,340)	97
Net equity dividends	2	2	-
Subsidiaries	92	92	-
Total interest income	\$ <u>14,386</u>	\$ <u>13,162</u>	\$ <u>1,224</u>
Interest expenses			
Interest on term deposits	\$ 3,291	\$ 3,230	\$ 61
Interest on negotiable instruments issued	2,104	1,960	144
Interest payable on interbank loans and loans for other Agencies	209	70	139
Interest and yields payable in repurchase agreement transactions	6,328	6,328	-
Expenses from hedge trading	(1,960)	(1,989)	29
	<u>9,972</u>	<u>9,599</u>	<u>373</u>
Exchange loss on appreciation	129	-	129
Total interest expense	\$ <u>10,101</u>	\$ <u>9,599</u>	\$ <u>502</u>
Net interest income	\$ <u>4,285</u>	\$ <u>3,563</u>	\$ <u>722</u>
Commission and fee income			
Guarantees by endorsement	\$ 2	\$ 2	\$ -
Custody or administration of assets	8	8	-
Fiduciary activities	495	495	-
Others	229	209	20
Subsidiaries	1,928	1,928	-
	<u>\$ 2,662</u>	<u>\$ 2,642</u>	<u>\$ 20</u>

	2 0 1 5		
	Total	Local currency	Foreign currency
Commission and fee expenses			
Loans received	\$ 10	\$ -	\$ 10
Debt placed	7	5	2
Others	76	68	8
Subsidiaries	205	205	-
	<u>\$ 298</u>	<u>\$ 278</u>	<u>\$ 20</u>
Gain or loss on brokerage			
Gain or loss on valuation at fair value and decrease on securities valued at cost:			
Trading securities	\$ 314	\$ 314	\$ -
Derivative financial instruments for trading purposes	3	2	1
Derivative financial instruments for hedging purposes	(61)	69	(130)
	<u>256</u>	<u>385</u>	<u>(129)</u>
Gain or loss on trading derivative financial instruments			
Trading securities	109	109	-
Available-for-sale	2	-	2
Derivative financial instruments for trading purposes	4,382	4,382	-
Gain on foreign currency trading	(5,162)	-	(5,162)
	<u>(669)</u>	<u>4,491</u>	<u>(5,160)</u>
Gain or loss on brokerage	<u>(413)</u>	<u>4,876</u>	<u>(5,289)</u>
Other operating income (expenses)			
Reversal of the surplus of preventive estimates for lending risks	546	316	230
Allowance (provision) for loss on repossessed assets	(7)	(7)	-
Other losses	(13)	(13)	-
Income on loans to personnel	39	39	-
Other operating income (expenditure) items (a)	(534)	(536)	2
Other income (expenses) of subsidiaries	(13)	(13)	-
	<u>\$ 18</u>	<u>\$ (214)</u>	<u>\$ 232</u>

- (a) The Institution carried out the payment in the amount of \$700 million Mexican pesos on December 9, 2015, in conformity with the indications in official letter number 102-B-077, dated December 8, 2015, issued by the Subministry of Finance and Public Credit, whereby the Federal Government instructs the Institution to carry out a payment under the juridical nature of use for furnishing a sovereign guarantee of the Federal Government.

	2 0 1 4		
	Total	Local currency	Foreign currency
Interest income			
Interest on performing loan portfolio			
Commercial credits	\$ 1,341	\$ 1,111	\$ 230
Housing lending	2	2	-
Loans to government entities	334	333	1
Loans granted as a (Financial) Agent of the Federal Government	51	-	51
Loans to financial entities	3,916	3,718	198
	<u>5,644</u>	<u>5,164</u>	<u>480</u>
Interest income on nonperforming loan portfolio			
Housing lending	1	1	-
	<u>1</u>	<u>1</u>	<u>-</u>
Interest and yields earned on investments in securities:			
Trading securities	227	227	-
Available-for-sale securities	162	-	162
Held-to-maturity securities	786	745	41
	<u>1,175</u>	<u>972</u>	<u>203</u>
Interest and yields earned in repurchase agreement transactions			
Repurchase transactions	8,861	8,861	-
	<u>8,861</u>	<u>8,861</u>	<u>-</u>
Interest from liquid assets			
Banks	7	-	7
Restricted liquid assets	444	434	10
	<u>451</u>	<u>434</u>	<u>17</u>
Fees income from lending transactions (adjustment on yield)			
Commercial credits	66	64	2
Revenues from hedge trading	(1,088)	(1,148)	60
Net equity dividends	2	2	-
Subsidiaries	45	45	-
Total interest income	<u>\$ 15,157</u>	<u>\$ 14,395</u>	<u>\$ 762</u>
Interest expenses			
Interest on term deposits	\$ 3,744	\$ 3,687	\$ 57
Interest on negotiable instruments issued	1,212	1,150	62
Interest payable on interbank loans and loans for other Agencies	179	40	139
Interest and yields payable in repurchase agreement transactions	6,769	6,769	-
Expenses from hedge trading	(1,541)	(1,541)	-
	<u>10,363</u>	<u>10,105</u>	<u>258</u>
Exchange loss on appreciation	70	-	70
Total interest expense	<u>\$ 10,433</u>	<u>\$ 10,105</u>	<u>\$ 328</u>
Net interest income	<u>\$ 4,724</u>	<u>\$ 4,290</u>	<u>\$ 434</u>

	2 0 1 4		
	Total	Local currency	Foreign currency
Commission and fee income			
Guarantees by endorsement	\$ 9	\$ 9	\$ -
Custody or administration of assets	8	8	-
Fiduciary activities	475	474	1
Others	167	153	14
Subsidiaries	1,860	1,860	-
	<u>\$ 2,519</u>	<u>\$ 2,504</u>	<u>\$ 15</u>
Commission and fee expenses			
Loans received	\$ 2	\$ -	\$ 2
Debt placed	14	14	-
Others	64	58	6
Subsidiaries	213	213	-
	<u>\$ 293</u>	<u>\$ 285</u>	<u>\$ 8</u>
Gain or loss on brokerage			
Gain or loss on valuation at fair value and decrease on securities valued at cost:			
Trading securities	\$ 639	\$ 639	\$ -
Derivative financial instruments for trading purposes	(12)	(23)	11
Derivative financial instruments for hedging purposes	(5)	(17)	12
	<u>622</u>	<u>599</u>	<u>23</u>
Gain or loss on trading derivative financial instruments:			
Trading securities	41	41	-
Available-for-sale	(8)	-	(8)
Derivative financial instruments for trading purposes	183	183	-
Gain on buying and selling foreign currency	(830)	-	(830)
	<u>(614)</u>	<u>224</u>	<u>(838)</u>
Gain or loss on brokerage	<u>8</u>	<u>823</u>	<u>(815)</u>
Other operating income (expenses)			
Reversal of the surplus of preventive estimates for lending risks	1,154	1,017	137
Allowance (provision) for loss on repossessed assets	(4)	(4)	-
Other losses	(5)	(5)	-
Income on loans to personnel	38	38	-
Other operating income (expenditure) items (b)	(1,141)	(1,143)	2
Other income (expenses) of subsidiaries	(38)	(38)	-
	<u>\$ 4</u>	<u>\$ (135)</u>	<u>\$ 139</u>

- (b) The Institution carried out the payment in the amount of \$1 billion 200 million Mexican pesos on October 31, 2014, in conformity with the indications in official letter number 102-B-064, dated October 27, 2014, issued by the Subministry of Finance and Public Credit, whereby the Federal Government instructs the Institution to carry out a payment under the juridical nature of use for furnishing a sovereign guarantee of the Federal Government.

NOTE 25. COMMITMENTS AND CONTINGENCIES

Guarantees by endorsement executed

At December 31, 2015 and 2014, the Institute has guarantees by endorsements furnished amounting to \$109 and \$132, respectively, which represent a contingent risk in the event that the secured debtor liquidates his debt to the lending institution. At December 31, 2015 and 2014, losses on guarantees have not been recorded in income of the Institution. However, in the event of nonperformance by any secured drawer, the Institution grants a credit to meet its obligation. During fiscal 2015, no credits have been granted for nonperformance.

Contingent assets and liabilities

At December 31, 2015 and 2014, this item line amounts to \$49,738 and \$43,674, respectively, are summarized as follows:

		<u>2 0 1 5</u>	<u>2 0 1 4</u>
Contingent liabilities:			
Guarantees furnished	(a) \$	59,541	\$ 55,060
Unreimbursed guaranties paid covered by a counter guaranty	(b)	12,041	10,817
Receivables on claims		135	404
Commitments acquired		1,848	118
		<u>73,565</u>	<u>66,399</u>
Contingent assets:			
Counter guaranty received from the counter guaranty Trust for Enterprise Financing	(c)	11,181	11,450
Unrecovered guaranties paid covered by a counter guarantors	(d)	12,041	10,817
Unrecovered guaranties paid without a counter guaranty	(e)	605	458
		<u>23,827</u>	<u>22,725</u>
Total	\$	<u>49,738</u>	<u>\$ 43,674</u>

- (a) In the item of guarantees furnished, the institution has mainly guarantees furnished through the Fund for Risk Equity and the Fund for Surety Bond Equity Risk, both of which present guarantees furnished amounting to \$57,574 and \$54,121, respectively, at December 31, 2015 and 2014. The spread at December 31, 2015 and 2014 amounting to \$1,967 and \$939, respectively, correspond to selective guarantees furnished directly by the Institution. These guarantees represent the amount of liabilities assumed by the Institution for guaranteeing financial brokers the recovery of their loan portfolio.

- (b) The Institution's contingent obligation of reimbursing the amount of the guaranties paid mainly to the counterguaranty Trust for Business Financing has been recognized in this item. Those paid guarantees did have the counterguaranty and continue to be in process of being recovered by the bank and non-bank financial brokers.
- (c) The Fund for Risk Equity reduces the Institution's contingency through a counterguaranty received from the counterguaranty Trust for Enterprise Financing, the promoter of granting credits for specific purposes, which has assigned funds for these purposes in the amount of \$11,181 and \$11,450, respectively, at December 31, 2015 and 2014. These funds assure the recovery up to these amounts of the guarantees exercised by financial brokers, who assume the commitment of negotiating the recovery of the credits of their final borrowers judicially and out-of-court.

In addition to that counterguaranty, the Fund has created a preventive estimate for credit risks at December 31, 2015 and 2014 in the amount of \$705 and \$290, respectively, in terms of the provisions set forth by the Commission.

Having received the counterguaranty, as well as the level of preventive estimate created, the Institution considers that exposure is covered and supports it in the experience observed in the guarantee program.

- (d) The contingent right that the institute has of recovering the amount of guarantees paid that had a counterguaranty that were mainly covered by the counterguaranty Trust for Enterprise Financing has been recognized in this item, and continues in the recovery process by banking and non-banking financial brokers.
- (e) The item of unrecovered guarantees without a counterguaranty, the amount of guarantees honored by the institution have been recognized that are in the process of being recovered by financial brokers that was not covered by the counterguaranty Trust for Enterprise Financing.

Credit commitments

At December 31, 2015 and 2014, the Institution has credit lines and guarantees lines furnished to financial brokers and that have not been drawn down in the amount of \$197,020 and \$98,999, respectively. At December 31, 2015, the amount of \$56,790 corresponds to credit lines and \$140,230 to guarantees furnished, respectively, whereas at December 31, 2014, the amount of \$41,671 corresponds to credit lines and \$57,328 to guarantees lines furnished, respectively.

NOTE 26. ASSETS PLACED IN TRUST, MANDATE, AND FINANCIAL AGENT OF THE FEDERAL GOVERNMENT

At December 31, 2015 and 2014, the balances of transactions in which the Institution acts as a Trustee are summarized as follows:

	<u>2015</u>	<u>2014</u>
Investment trusts	\$ 24,081	\$ 15,757
Management trusts	1,034,677	993,983
Trust deeds	50,078	55,769
	<u>1,108,836</u>	<u>1,065,509</u>
Mandates	2,657	18,912
	<u>1,111,493</u>	<u>1,084,421</u>
Financial Agent of the Federal Government	291,883	241,034
Total	<u>\$ 1,403,376</u>	<u>\$ 1,325,455</u>

Investment and management trusts refer to entities with their own legal personality, independent from the institution. These balances shown the valuation of Trust Assets which, overall, represent assets valued with distinct accounting practices which essentially represent neither rights of the entity nor the contingency to which the Institution is subject in the event of nonperformance in its role as a trustee.

The deeds of trust apply to entities that maintain credits, securities, real properties, etc. as part of its assets held in trust that serve as a guarantee for the liquidation of financing received the trustors thereof from other lending institutions. The Institution only acts as a trustee in those entities.

The institution's revenues from Trustee Activities at December 31, 2015 and 2014 amounted to \$188 and \$168, respectively.

At December 31, 2015 and 2014, trust accounts include a balance amounting to \$464 and \$467, respectively, that apply to the patrimony of the Portfolio Recovery Trust (FIDERCA), which manages doubtful accounts that were originally the Institution's and were transferred to the Federal Government in the course of 1996. The Institution currently holds the respective beneficiary interests.

The Institution created the trust to strengthen its capital, in compliance with the provisions set forth in Article 55 Bis of the Lending Institutions Law, and in conformity with the general rules that both Domestic Lending Institutions and Development Banking Institutions should be subject to in order to operate, published in the Official Daily Gazette on October 24, 2002.

NOTE 27. CUSTODY AND ADMINISTRATION OF ASSETS

These mainly represent the control of contractual documentation that supports the securities trading and lending operations. Moreover, it includes the total securities issued by the Institution and managed for account of clients. At December 31, 2015 and 2014, they are summarized as follows:

	<u>2 0 1 5</u>	<u>2 0 1 4</u>
Custody	\$ 106,017	\$ 130,180
Pledged securities	181,069	104,535
Collections	1	2
Securities in administration	254,742	198,115
Subsidiaries	11,085	9,436
	<u>\$ 552,914</u>	<u>\$ 442,268</u>

The fees income by the Institution for this type of activities at December 31, 2015 and 2014 amount to \$8 in both years.

NOTE 28. OTHER MEMORANDUM ACCOUNTS

At December 31, 2015 and 2014, the balances of other memorandum accounts are summarized as follows:

	<u>2 0 1 5</u>	<u>2 0 1 4</u>
Guarantees paid reported by brokers as uncollectible without a counter guaranty	(a) \$ 49	\$ 47
Classification by degree of loan portfolio risk	231,352	205,492
Credits obtained not yet drawn down (Note 19)	7,559	2,320
Other memorandum accounts	(b) <u>337,957</u>	<u>204,856</u>
Total	<u>\$ 576,917</u>	<u>\$ 412,715</u>

- (a) It corresponds to the amounts of unrecovered guarantees on which collection procedures have been exhausted by the brokers, which do not have a counter guaranty.
- (b) Memorandum accounts are included for control of renewed and restructured credits, uncollectible credits, uncollectible credits applied against the provision, mortgage-backed credits, certificates and coupons to be incinerated, VAT recorded by states, portfolio recovery, issue of provisional certificates, assets acquired through judicial proceedings or received as written-off payment preventively, control of amounts contracted in repurchase agreements and derivative instruments, preventive reserves of portfolio financial brokers, and various unspecified items.

NOTE 29. SEGMENT INFORMATION

The factors used for identifying business segments considered the nature of the activities carried out, the existence of specific administrators for those activities, the generation of revenues and expenses thereof, as well as the follow-up regularly performed on the results generated that are presented regularly to the Board of Directors of the Institution.

The segment of markets and treasury includes investments carried out in money, capital, exchange and treasury markets.

The loan portfolio placed directly with the public sector and private sector is considered for the first tier credit segment, whereas the loan portfolio channeled through bank and non-bank financial brokers was considered for the second tier credit.

Guarantees furnished to banks and non-bank financial brokers are included in the segment of credit guarantees. The balances of this segment are presented in memorandum accounts that amount to \$56,684 and \$53,431 at December 31, 2015 and 2014, respectively.

The balances of the financial Agent segment apply to activities carried out by Federal Government Law, in order to manage funds obtained from international financial agencies in its name. At December 31, 2015 and 2014, it shows a balance amounting to \$291,992 and \$242,047, of which the amounts of \$291,883 and \$241,034 is recorded in memorandum accounts.

Proprietary and external trust management services are included in the Trustee segment, are shown in memorandum accounts by \$1,111,493 and \$1,084,421 at December 31, 2015 and 2014, respectively.

Everything relative to investment banking and balances of subsidiaries are included in the segment of other areas. As an investment bank, credit restructuring fees are handled for security market guarantees, as well as gains or losses on equity in risk capital of public and private companies.

At December 31, 2015 and 2014, assets, liabilities, and net income of the main operations of the Institution's business segments are shown below:

Business segments	Assets		Liabilities and Capital		Net income (loss)	
	Amount	Equity	Amount	Equity	Amount	Equity
2015						
Markets and treasury	\$ 201,652	52.40%	\$ 201,652	52.40%	\$ 1,069	85.30%
First tier credit	43,730	11.40%	43,730	11.40%	357	28.50%
Second tier credit	127,863	33.20%	127,863	33.20%	486	38.80%
Loan guarantees	-	-	-	-	665	53.00%
Financial broker	109	0.00%	109	0.00%	65	5.20%
Trustee	-	-	-	-	3	0.20%
Other areas	11,474	3.00%	11,474	3.00%	376	30.00%
Use and expense of retirees	-	-	-	-	(1,767)	(141.00)%
Total	\$ 384,828	100.00%	\$ 384,828	100.00%	\$ 1,254	100.00%
2014						
Markets and treasury	\$ 231,291	59.30%	\$ 231,291	59.30%	\$ 1,703	102.50%
First tier credit	32,925	8.40%	32,925	8.40%	401	24.10%
Second tier credit	116,361	29.90%	116,361	29.90%	513	30.90%
Loan guarantees	-	-	-	-	828	49.80%
Financial broker	1,013	0.30%	1,013	0.30%	74	4.50%
Trustee	-	-	-	-	(23)	(1.40)%
Other areas	8,172	2.10%	8,172	2.10%	285	17.10%
Use and expense of retirees	-	-	-	-	(2,119)	(127.50)%
Total	\$ 389,762	100.00%	\$ 389,762	100.00%	\$ 1,662	100.00%

Statements of income by business segments at December 31, 2015 and 2014 are shown below:

	<u>Markets and treasury</u>	<u>First tier credit</u>	<u>Second tier credit</u>	<u>Loan guarantees</u>	<u>Financial broker</u>	<u>Trustee</u>	<u>(a) Other areas</u>	<u>Use and expense of retirees</u>	<u>Total</u>
2015									
<i>Income:</i>									
Financial income, net	\$ 1,509	\$ 537	\$ 1,417	\$ 1,931	\$ 195	\$ 193	\$ 461	\$ -	\$ 6,243
<i>Expenses:</i>									
Operating expense	<u>(360)</u>	<u>(67)</u>	<u>(701)</u>	<u>(309)</u>	<u>(121)</u>	<u>(177)</u>	<u>(59)</u>	<u>-</u>	<u>(1,794)</u>
Operating income	1,149	470	716	1,622	74	16	402	-	4,449
Credit reserves and write-offs	(2)	(90)	(179)	(642)	(1)	(1)	-	-	(915)
Retiree expense	-	-	-	-	-	-	-	(1,067)	(1,067)
Other Expenses and Taxes	(b) <u>(78)</u>	<u>(23)</u>	<u>(51)</u>	<u>(315)</u>	<u>(8)</u>	<u>(12)</u>	<u>(26)</u>	<u>(700)</u>	<u>(1,213)</u>
Net income (loss)	<u>\$ 1,069</u>	<u>\$ 357</u>	<u>\$ 486</u>	<u>\$ 665</u>	<u>\$ 65</u>	<u>\$ 3</u>	<u>\$ 376</u>	<u>\$ (1,767)</u>	<u>\$ 1,254</u>
2014									
<i>Income:</i>									
Financial income, net	\$ 2,164	\$ 530	\$ 1,635	\$ 1,813	\$ 210	\$ 177	\$ 344	\$ -	\$ 6,873
<i>Expenses:</i>									
Operating expense	<u>(340)</u>	<u>(64)</u>	<u>(647)</u>	<u>(312)</u>	<u>(115)</u>	<u>(165)</u>	<u>(57)</u>	<u>-</u>	<u>(1,700)</u>
Operating income	1,824	466	988	1,501	95	12	287	-	5,173
Credit reserves and write-offs	(6)	(46)	(366)	(239)	(3)	(7)	4	-	(663)
Retiree expense	-	-	-	-	-	-	-	(919)	(919)
Other Expenses and Taxes	(c) <u>(115)</u>	<u>(19)</u>	<u>(109)</u>	<u>(434)</u>	<u>(18)</u>	<u>(28)</u>	<u>(6)</u>	<u>(1,200)</u>	<u>(1,929)</u>
Net income (loss)	<u>\$ 1,703</u>	<u>\$ 401</u>	<u>\$ 513</u>	<u>\$ 828</u>	<u>\$ 74</u>	<u>\$ (23)</u>	<u>\$ 285</u>	<u>\$ (2,119)</u>	<u>\$ 1,662</u>

(a) It includes the following areas: Investment Bank, Subsidiaries and Other Income (Expenses), net.

(b) It includes \$513 of income tax and Employee Statutory Profit Sharing current and deferred.

(c) It includes \$743 of income taxes and Employee Statutory Profit Sharing current and deferred.

During 2015, net financial income from Markets and treasury had a decrease by to \$655 compared with 2014, due mainly to inflation well short than expected throughout the year, as well as market volatility that took place during the year, due to three main factors: the expectation of an increase in rates by the Federal Reserve of the United States of America throughout the year, the ongoing trend in the decrease in the oil price, brought about by excess supply in a context of global deceleration, and the uncertainty of China's economic performance.

At December 31, 2015, net financial income was obtained in the first tier Credit by \$537, consisting of \$501 of net interest income and \$36 for fees collected. Accordingly, net financial income was 1.2% higher with respect to the income obtained in 2014, supported by the growth observed in the average balance of this portfolio in the last twelve months, which increase from \$23,447 to \$33,495, due mainly to the credits granted for eolic, energy and structured financing projects.

The second tier Credit obtained net financial income amounting to \$1,417 in 2015, of which \$1,343 correspond to net interest income, and \$74 to fees, and other net income associated with the lending operation. The amount of net interest income was 13.3% lower in 2015 compared with that observed in 2014, due to the reduction of 53 base points in the weighted margin of the loan portfolio. That reduction of net interest income concurred with the behavior of market rates, as well as the institutional strategy of offering more competitive rates to brokers. Moreover, the average balance between both periods increased 20.3% by going from \$85,570 in 2014 to \$102,951 in 2015, in line with institutional strategy.

At December 31, 2015, the credit Guarantee segment presents net financial income amounting to \$1,931, which includes fees collected on guarantees furnished amounting to \$1,622, as well as \$309 of interest on investments and net recoveries.

Net financial income of the credit Guarantee segment increased 6.5% from 2014 to 2015, mainly due to the growth in the balance of proprietary guarantees furnished during the last twelve months, which went from \$55,060 to \$59,541, equivalent to 8.1%.

At December 31, 2015, net financial income of the Financial Agent segment amounted to \$195. Net financial income decreased 7.5% related with that obtained in 2014, due to the decrease in the factor for the collection of these services due to contractual conditions, as well as the aging of a part of managed balances.

Net financial income was collected in the amount of \$193 in the Trustee business segment in 2015, which exceeded net financial income by 8.7% in 2014, due to the ongoing process of clearing and adjusting businesses, as well as the creation of new trusts, which generate additional income, in addition to allow for complying with the duty to which it was commissioned

NOTE 30. COMPREHENSIVE INCOME

The Institution's comprehensive income for the years ended December 31, 2015 and 2014 is presented below:

	<u>2015</u>	<u>2014</u>
Net income of the year	\$ 1,254	\$ 1,662
Effect of items recognized in stockholders' equity with no effect in results of the year		
Gain on valuation of available-for-sale securities	(238)	(66)
Valuation effects in associate and affiliate companies	126	(55)
Prior year losses	-	(2)
Non-holding company equity	118	(16)
	<u>6</u>	<u>(139)</u>
Comprehensive income or loss	\$ <u>1,260</u>	\$ <u>1,523</u>

NOTE 31. CAPITALIZATION RATIO

At December 31, 2015 and 2014, the preliminary of the capitalization ratio was set at 13.57% and 14.62%, which is determined with a net capital amounting to \$21,020 and assets adjusted for total risks amounting to \$154,879.

a) Basic and Complementary Capital

The Institution's net capital consists of \$21,020 of basic capital. Pursuant to the application of the new portfolio rating methodology, complementary capital is zero, which implies that Net Capital is equal to Basic Capital that is, equal to Basic Capital 1.

b) Assets adjusted for market risks

Assets adjusted for market risks amount to \$58,992 and are equivalent to a capital requirement amounting to \$4,719, which are summarized as follows:

Market risk exposure by the risk factor		
<u>Item</u>	<u>Amount of equivalent positions</u>	<u>Capital requirement</u>
Transactions in local currency at a nominal rate	\$ 24,006	\$ 1,920
Trades with debt securities in local currency with a surcharge and a reviewable rate	4,814	385
Transactions in local currency at a real rate or denominated in UDIS	15,953	1,276
Positions in UDIS or with a return based on the NCPI	40	3

Market risk exposure by the risk factor

Item	Amount of equivalent positions	Capital requirement
Transactions in foreign currency at a nominal rate	5,799	464
Foreign exchange positions or with a yield indexed to the exchange rate	82	7
Positions in gold	5	-
Positions in shares with a return indexed to the price of a share of group of shares	8,293	664
	<u>\$ 58,992</u>	<u>\$ 4,719</u>

c) Assets adjusted for credit risks

Assets adjusted for credit risks amount to \$86,912 and are equivalent to a capital requirement amounting to \$6,953. Pursuant to the foregoing, the assets adjusted for credit risks in credits and deposits amount to \$66,491, which are equivalent to a capital requirement amounting to \$5,319, which are summarized as follows:

Weighted assets subject to credit risk by risk group

Item	Assets Weighted by Risk	Capital requirement
Group III (weighted at 20%)	\$ 15,461	\$ 1,237
Group III (weighted at 50%)	1,111	89
Group III (weighted at 100%)	911	73
Group III (weighted at 120%)	393	31
Group IV (weighted at 20%)	2,345	188
Group VI (weighted at 100%)	150	12
Group VII (weighted at 20%)	3,373	270
Group VII (weighted at 50%)	3,531	282
Group VII (weighted at 100%)	8,640	691
Group VII (weighted at 120%)	174	14
Group VII (weighted at 150%)	3,802	304
Group VII-B (weighted at 20%)	38	3
Group VII-B (weighted at 50%)	4,009	321
Group VII-B (weighted at 100%)	22,246	1,779
Group VIII (weighted at Group VI%)	7	1
Group VIII (weighted at Group VII%)	114	9
Group VIII (weighted at Group VII-B%)	186	15
	<u>\$ 66,491</u>	<u>\$ 5,319</u>

d) Assets adjusted for operating risks

Assets adjusted for operating risks amount to \$8,975 and are equivalent to a capital requirement amounting to \$718.

Weighted assets subject to operating risk

Method used	Assets weighted by risk	Capital requirement
Basic indicator	\$8,975	\$718
Average market and credit risk requirement of the last 36 months	\$9,443	Average positive annual net revenue of the last 36 months
		\$4,787

The capitalization rules considered by the guidelines set forth by Basel III went into effect in January 2013. Under these new rules, a new form is presented for summarizing net capital, thereby seeking increased strength of capital. In addition, solvency is now measured not only through the capitalization ratio (Icap), but two new indicators are also incorporated: Basic Capital solvency (Basic Capital Ratio CCB) and solvency on Fundamental Capital (Fundamental Capital Ratio CCFR), which cannot be less than 8.5% and 7.0%, respectively. It is important to note that pursuant to the publication of the macro resolution on December 31, 2014, among other changes, basic capital 1 was now called fundamental capital and basic capital 2 was called nonfundamental capital.

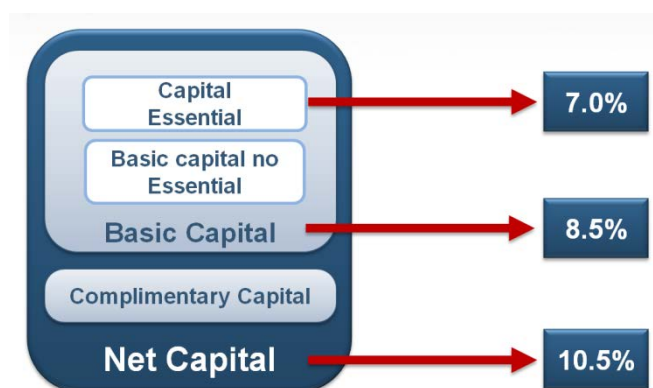


Exhibit 1-O of the Provisions sets forth the requirements for the disclosure of information relative to capitalization which, in addition to those indicated in the above paragraphs, should contain the following sections:

1. Summary of net capital in conformity with the international disclosure form contained in the document "Disclosure form of the makeup of capital without considering the transitory nature in the application of the regulatory adjustments"

Ref.	Common capital tier 1 (CET 1) Instruments and reserves	Amount
1	Common shares that qualify for level 1 common capital plus its applicable premium	\$ 19,677
2	Prior year losses	1,402
3	Other elements of comprehensive income (and other reserve)	2,695
6	Common tier 1 capital before regulatory adjustments	\$ 23,774
	Common tier 1 capital: regulatory adjustments	
15	Defined benefit pension plan	12,979
26	Domestic regulatory adjustments	2,753
A	of which: Other elements of comprehensive income (and other reserve)	
D	of which: Investments in multi-lateral agencies	572
F	of which: Investments in risk capital	2,042
G	of which: Investments in mutual funds	140
28	Total regulatory adjustments to tier 1 common capital	\$ 2,754
29	Common capital tier 1 (CET 1)	\$ 21,020
	Additional tier 1 capital: regulatory adjustments	
44	Additional tier 1 capital (AT1)	\$ -
45	Tier 1 capital (T1 = CET1 + AT1)	\$ 21,020
	Tier 2 capital: instruments and reserves	-
51	Tier 2 capital before regulatory adjustments	-
	Tier 2 capital: regulatory adjustments	-
59	Total capital (TC = T1 + T2)	\$ 21,020
60	Assets weighted by total risks	\$ 154,870
	Capital ratios and supplements	
61	Common tier 1 capital (as a percentage of the weighted assets by total risks)	13.57%
62	Tier 1 capital (as a percentage of the weighted assets by total risks)	13.57%
63	Total Capital (as a percentage of the weighted assets by total risks)	13.57%
64	Specifically institutional supplement (it should at least consist of the common tier 1 capital requirement, plus the capital conservation buffer, plus the countercyclical buffer, plus the G-SIB buffer stated as a percentage of the total weighted risk assets).	7.00%
65	of which: Conservation capital supplement	2.50%
68	Tier 1 common capital available to cover supplements (as a percentage of the total weighted risk assets)	6.57%

2. Ratio of net capital with the balance sheet

Balance sheet amounts		
Reference of the items of the balance sheet	Items of the balance sheet (unconsolidated)	2 0 1 5
	Assets:	
BG1	Liquid assets	\$ 20,519
BG2	Memorandum accounts	20
BG3	Investments in securities	179,333
BG4	Receivables under repurchase agreements	313
BG5	Securities lending	-
BG6	Derivatives	178
BG7	Valuation adjustment on hedges of financial assets	1,314
BG8	Total loan portfolio (net)	167,703
BG9	Benefits receivable on securities trading	-
BG10	Other receivables (net)	4,954
BG11	Repossessed assets(net)	17
BG12	Property, furniture and equipment (net)	7
BG13	Permanent investments (a)	18,619
BG14	Long-lived assets held for sale	-
BG15	Deferred taxes and employee profit sharing (net)	884
BG16	Other assets	1,297
	Total assets	<u>\$ 395,158</u>
	Liabilities:	
BG17	Traditional deposits	\$ 204,639
BG18	Interbank loans and loans for other agencies	23,749
BG19	Payables under repurchase agreements	135,792
BG20	Securities lending	-
BG21	Collateral sold or furnished as a guarantee	-
BG22	Derivatives	2,323
BG23	Valuation adjustment on hedges of financial liabilities	1,108
BG24	Debentures in securities trading	-
BG25	Other payables	3,307
BG26	Outstanding unsecured obligations	-
BG27	Deferred taxes and employee profit sharing (net)	-
BG28	Deferred credits and advance payments from customers	144
	Total liabilities	<u>371,062</u>
	Stockholders' equity:	
BG29	Paid in capital	19,677
BG30	Capital gains	4,419
	Total stockholders' equity	<u>24,096</u>
	Total liabilities and stockholders' equity	<u>\$ 395,158</u>

Balance sheet amounts

Reference of the items of the balance sheet	Items of the balance sheet (unconsolidated)	2 0 1 5
Memorandum accounts:		
BG31	Guarantees by endorsement executed	\$ 109
BG32	Contingent assets and liabilities	64,305
BG33	Credit commitments	56,789
BG34	Assets placed in trust or legal custody	1,111,493
BG35	Financial agent of the federal government	291,883
BG36	Assets in custody or administration	541,829
BG37	Collateral received by the entity	36,602
BG38	Collateral received and sold or furnished as a guarantee by the entity	36,289
BG39	Investment bank third party trading (net)	74,127
BG40	Uncollected accrued interest derived from the non-performing portfolio	297
BG41	Other memorandum accounts	520,919

(a) Other investments included

Regulatory items considered for the calculation of net capital components.

Identifier	Regulatory items considered for the calculation of net capital	Reference to the disclosure form of the payment of Capital of section I to this exhibit	Amount of combination with the notes to the table. Regulatory items considered for the calculation of Net Capital components	Reference(s) of the balance sheet item and amount related to the regulatory item considered for the calculation of Net Capital from the above reference.
Assets				
15	Investments in multi-lateral agencies	26 - D	572	
17	Investments in risk capital	26 - F	2,041	
18	Investments in mutual funds	26 - G	140	
22	Investments of the defined benefit pension plan	26 - N	12,979	Informative, uncomputed data
Stockholders' equity:				
34	Paid-in capital that complies with Exhibit 1-Q	1	\$ 19,677	

Identifier	Regulatory items considered for the calculation of net capital	Reference to the disclosure form of the payment of Capital of section I to this exhibit	Amount of combination with the notes to the table. Regulatory items considered for the calculation of Net Capital components	Reference(s) of the balance sheet item and amount related to the regulatory item considered for the calculation of Net Capital from the above reference.
35	Prior year losses	2	1,402	
37	Other capital gains elements other than the foregoing	3	2,695	
41	Accumulated effect on translation	3, 26 - A	N/A	
42	Gain or loss on holding nonmonetary assets	3, 26 - A	N/A	
	Regulatory items not considered in the balance sheet:			
45	Gain or increase in value of assets for acquisition of trading positions (Originating Institutions)	26 – C	N/A	
46	Transactions that contravene provisions	26 – I	N/A	
47	Relevant related party transactions	26 – M	N/A	
48	Adjustment on recognition of capital	26 – 360 41 56	N/A	

3. Main characteristics of the securities that form part of net capital (Series A)

Ref.	Characteristic	Options
1	Issuer	Nacional Financiera, Sociedad Nacional de Crédito
2	identifier ISIN, CUSIP o Bloomberg	
3	Legal framework	In conformity with Article 30 of the Lending Institutions Act, Nacional Financiera, National Lending company, Development Banking Institution is governed by its Internal Regulations, holders of Series "A" certificates of capital contribution, if applicable, will have the rights set forth in Article 35 of the Lending Institutions Act and Article 12 of the Internal Regulations of Nacional Financiera.
	Regulatory treatment	
4	Capital level with transitory status	
5	Capital level without transitory status	Basic 1
6	Level of instrument	Unconsolidated ending institution subsidiaries

Ref.	Characteristic	Options
7	Type of instrument	Series "A" certificate of capital contribution
8	Amount recognized in regulatory capital	66% in accordance with (3)
9	Nominal value of the instrument	50.00
9A	Currency of the instrument	Mexican pesos
10	Book classification	Capital
11	Issue date	
12	Term of the instrument	Perpetuity
13	Expiration date	Without maturity
14	Prepaid expense clause	No
15	First prepaid expense date	
15A	Regulatory or tax events	
15B	Liquidation prices of prepaid expense clause	
16	Subsequent prepaid expense dates	
	Yields / dividends	
17	Type of yield / dividend	Variable
18	Interest rate / dividend	Variable
19	Dividend cancellation clause	No
20	Discretionary nature in the payment	Completely discretionary
21	Interest increase clause	No
22	Yield / dividend	Noncumulative
23	Convertibility of the instrument	Nonconvertible
24	Convertibility conditions	
25	Degree of convertibility	
26	Conversion rate	
27	Type of instrument convertibility	
28	Type of financial instrument of convertibility	
29	Issuer of instrument	
30	Write - down clause	
31	Write - down conditions	
32	Degree of write – down	
33	Temporary status of write - down	
34	Temporary value write - down mechanism	
35	Subordinated position in case of liquidation	
36	Nonperformance characteristics	
37	Description of nonperformance characteristics	

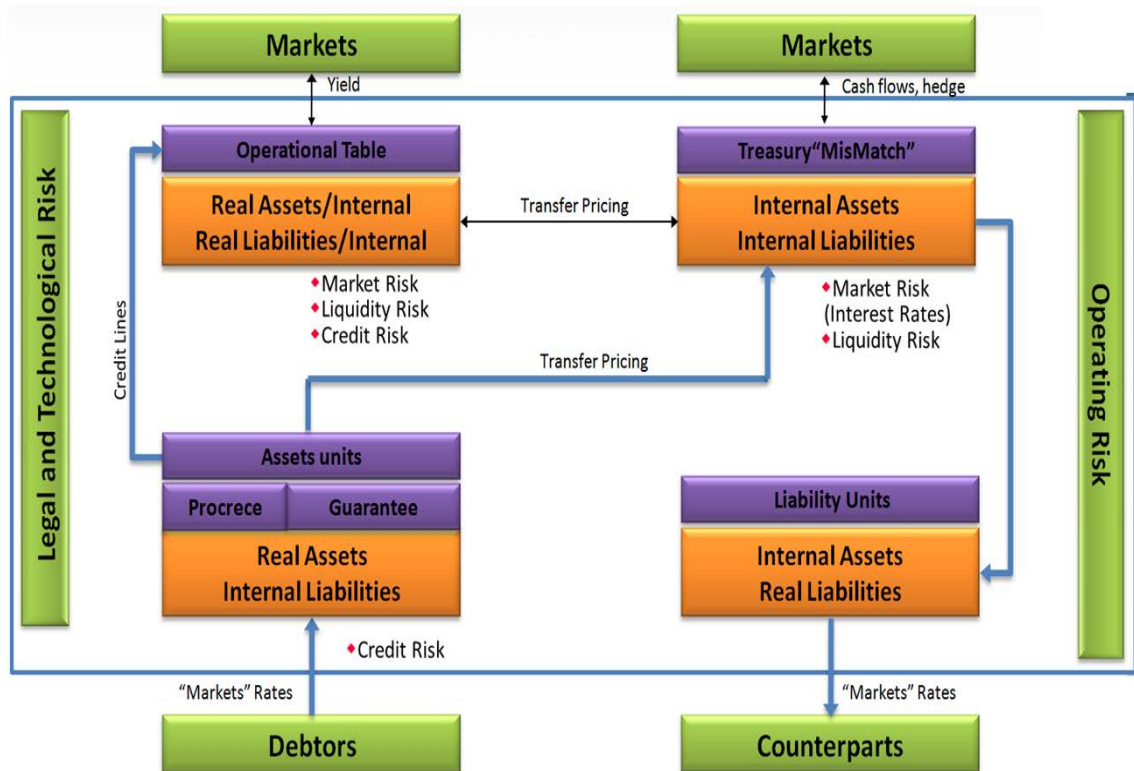
4. Capital management

The methodological framework for risk management must facilitate and support measurement and monitoring of quantifiable risks, by assuring solid risk measurements to establish the Institution's risk appetite and generate value.

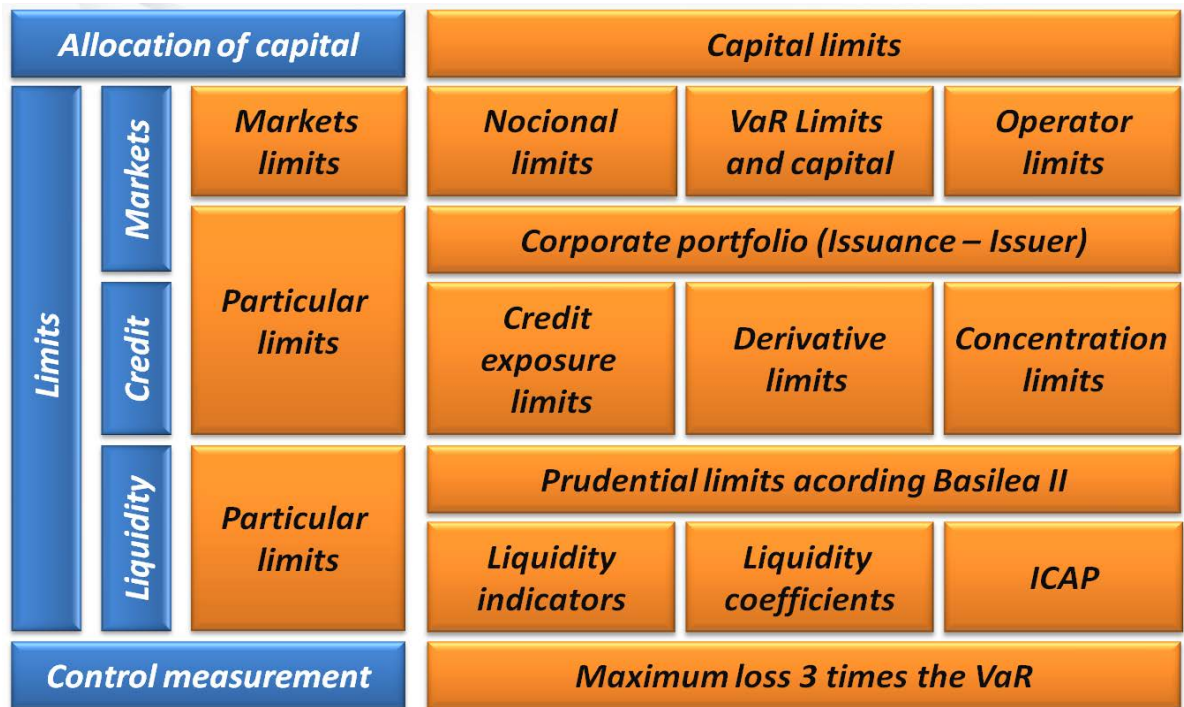
To assure that risk management is a support tool in decision-making, models and methodologies are established that allow for measuring, monitoring, and controlling the distinct types of risk to which the Institution is exposed. These risk measures must also contribute to the definition of business strategies and support the decision-making of the operation.

A fundamental point of departure for establishing limits is the definition of a business model that describes exposure to the different types of risk that are generate by the different units that operate in the Institution.

- Treasury: It operates as a central unit that manages the Institution's resources. It is in charge of establishing transfer pricing, controlling liquidity levels, and controlling balance sheet risks. This unit incurs market, credit, and liquidity risks. In the case of the Nacional Financiera, it is also in charge of the liability unit.
- Operating desks: their main role is to generate revenues by operating on the different financial markets (money, currency, capital, and foreign currency bonds).
- Asset units: They are those that encompass the Institution's development activities and are derived from credit activities. These activities are the main generators of credit risk.



Pursuant to the foregoing, the Institution has a solid global and specific exposure limits on the distinct types of risk considering the consolidated risk, itemized by business unit, risk factor and cause, as presented in the following diagram:

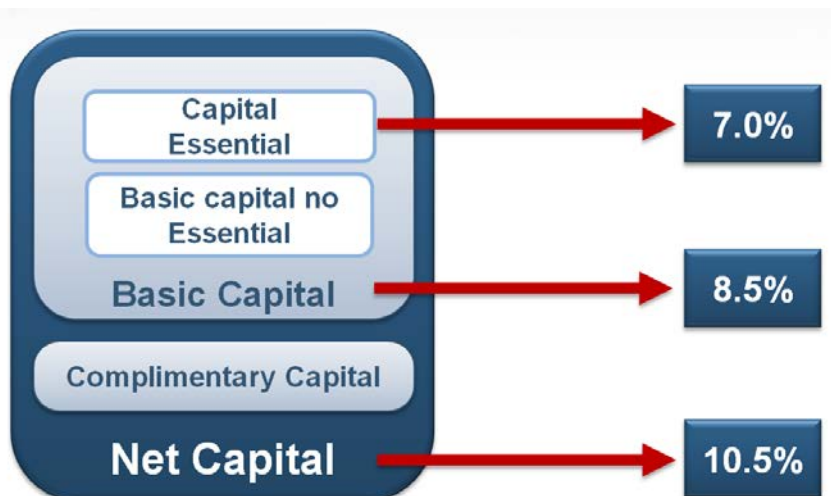


The above diagram shows that capital limits are significantly strong; toward that end, the following process is carried out:



The allocation process is derived from regulatory capital, based on what is set forth by capitalization rules described in exhibit 9. Based on these concepts, distributable capital is determined, that is, the capital which the Institution has for dealing with the risk consumed in its operations.

In accordance with the provisions of Basel III, there are three solvency indicators where the ICAP is the most restrictive, since its requirement increased from 8.0% up to 10.5%. It is precisely this restriction that establishes the risk appetite through capital limits, that is, there has to be assurance that by carrying the consumption of limits at 100% and in dealing with stressful situations, under no circumstances may the capitalization level be less than 10.5%.



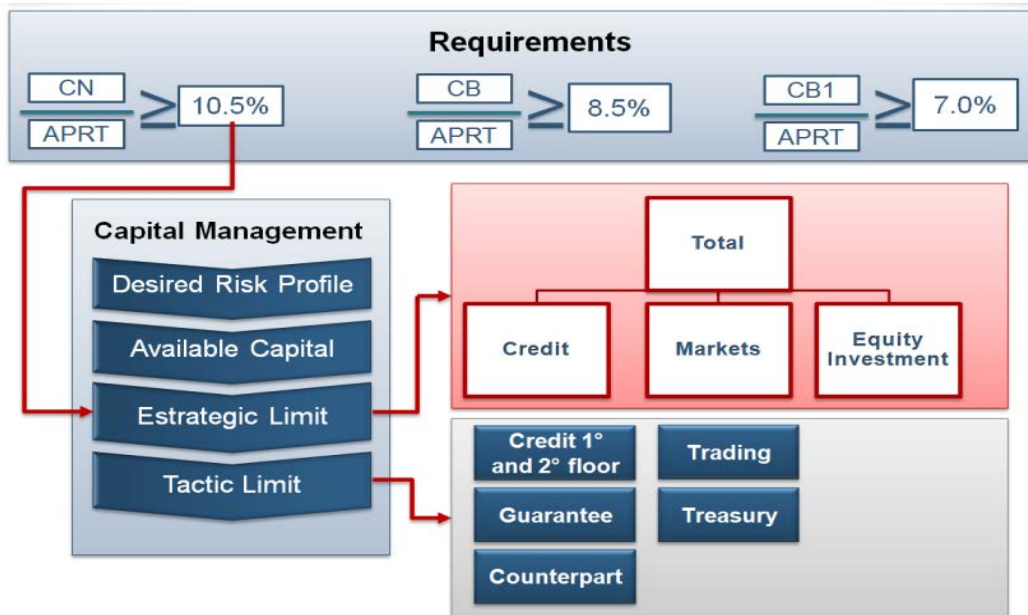
This increase in 250 pb of the ICAP is a strong buffer that substitutes the capital volatility buffer, desired risk profile buffer, and operating risk buffer that the Institution had previously.

Capital Limit Structure

The Institution's capital management considers a limit structure with two allocation levels.

- a) A strategic level authorized by the Board of Directors
- b) A tactical level that is regulated by the CAIR, through re-allocations or limit overruns, as well as the management of business areas. In addition, the Deputy General Directors involved in the business area can also propose re-allocation of the limits with the approval of the Risk Director, who subsequently informs the CAIR.

In summary, we have:



It is important to note that operating risk is not included in the strategic structure of these limits, since this is generated through discretionary risk taking, that is, it is implicit in the Institution's own operation. Pursuant to the foregoing, there is an operating risk buffer that is not computed for capital limits, but it is considered in the computation of the capitalization level. Notwithstanding the foregoing, the risks to which the Institution is exposed are identified, measured, overseen, controlled, and mitigated in terms of operating risk.

Considering the foregoing, the capitalization level was placed at 13.57% at December 2015-year end. Meanwhile, the total capital limit recorded 85.2% global consumption.



Three basic scenarios are presented:

1. If 100% of capital limits are consumed, the capitalization level would be maintained above 10.5% required.

2. If an adverse default event or market volatility will occur with an application to capital under the current structure, there is sufficient capacity to maintain the ICAP above 10.5%.
3. The combination of the above events, that is, consumption at 100% of capital limits and an adverse event with an impact on capital, would also allow for maintaining the ICAP above the minimum required level.

Finally, in order to have the capacity to obtain funds and continue to operate in a stressful scenario in which the sufficiency of the Institution's capital is compromised without having to incur in nonperformance of the minimums established by the authorities, the Treasury Division will obtain the necessary funds on the markets in the best possible cost and term, based on the guidelines set forth by executive management.

In order to manage liquidity risk, the Treasury will regulate the operating execution in accordance with strategies that will be aligned with executive management's objectives, and it will be responsible for carrying out the contingent procedures for managing liquidity, and the procedures established in the "Business Continuity Plan" will be applied in cases deemed advisable.

The Treasury Division will keep the Risk Management Division informed about any liquidity contingency situation.

NOTE 32. COMPREHENSIVE RISK MANAGEMENT

Risk management and monitoring

National and international risk management regulations have observed an unprecedented evolution in these last years, by incorporating a preventive approach in the financial processes carried out by lending institutions, as well as the obligation of issuing internal guidelines that allow for establishing controls to prevent any economic loss due to the materialization of risks, either discretionary, non-discretionary or even those that are unquantifiable.

The Institution has implemented, as part of its controls and processes, the prudential provisions relating to risk management, credit management, and internal control management applicable to lending institutions, as well as the provisions issued by regulatory agencies in Mexico in money laundering prevention matters (unaudited amounts).

Discretionary quantifiable risks

1. Market Risk

The Institution uses the Value at Risk (VaR) methodology to calculate the market risk of its trading and available-for-sale portfolios. The methodology that is being applied generally is historical simulation.

The most significant general principles are presented below:

- The confidence interval that is being applied to the calculation of VaR is 97.5% (considering the extreme left of the distributions of losses and gains).
- The base temporary horizon considered is 1 day.

A year of historical information of the risk factors is included for generating scenarios.

The following risk factors are considered: domestic and foreign interest rates, surcharges (spreads), exchange rates, indexes and prices of shares.

In addition to VaR information, sensitivity measures are calculated and stress tests are performed.

Effective July 2005, Back Testing is performed monthly to statistically validate that the market risk measurement model provides reliable results within the parameters selected by the Institution.

The limits on the values followed up on to date on a daily basis are:

- Value at risk: determined based on capital assigned to market risks.
- Nominative capital: based on the rules for capitalization requirements of Full-Service Banking Institutions and Domestic Lending companies, and Development Banking Institutions.
- Notional: these refer to maximum nominal values that can be held in position.
- Measure of maximum loss: this establishes a maximum loss limit against unfavorable trends on markets.

The average VaR of the year amounts to \$60.606, which represents 0.29% of net capital at December 2015-year end.

Markets	
VaR Amount \$60.606	
<hr/>	
Trading	Treasury
VaR \$33.661	VaR \$26.945

2. Management of assets and liabilities

Management of assets and liabilities refers to managing risks that affect the Institution's balance sheet. This consists of management techniques and tools necessary to identify, measure, monitor, control, and manage financial risks (liquidity and interest rate) that the institution's balance sheet is exposed to. Moreover, it is intended to maximize its yield adjusted by market risks and, therefore, enhance the use of the Institution's capital.

3. Liquidity risk

Liquidity risk that affects a banking institution is generally classified in three categories:

- **Market liquidity risk:** It is the possibility of economic loss due to the difficulty of selling or covering assets without a significant reduction in their price. This type of risk is incurred as a result of drastic changes in interest rates when large positions are adopted in some instrument(s) or investments are made in markets or instruments for which there is no broad supply and demand on the market.
- **Funding liquidity risk:** This represents the difficulty of an institution in obtaining the necessary funds to pay its obligations, through the income generated by its assets or by acquiring new liabilities (deposits). This type of crisis is generally caused by a drastic, sudden impairment in the quality of assets that result in extreme difficulty to convert them in to liquid assets.
- **Liquidity risk due to a mismatch in cash flows:** the inability to meet present and future cash flow needs that affect the Institution's daily operation or financial conditions, as well as the potential loss due to the change in the structure of the Institution's balance sheet, due to the difference of periods between assets and liabilities.

The Institution, in compliance with the Provisions of Comprehensive Risk Management, developed a Contingency Financing Plan, and liquidity stress scenarios, which set forth various measures to control, quantify, and follow up on the risks discussed above, as well as an action plan at an institutional level, in dealing with liquidity problems.

4. Local currency maturity profile

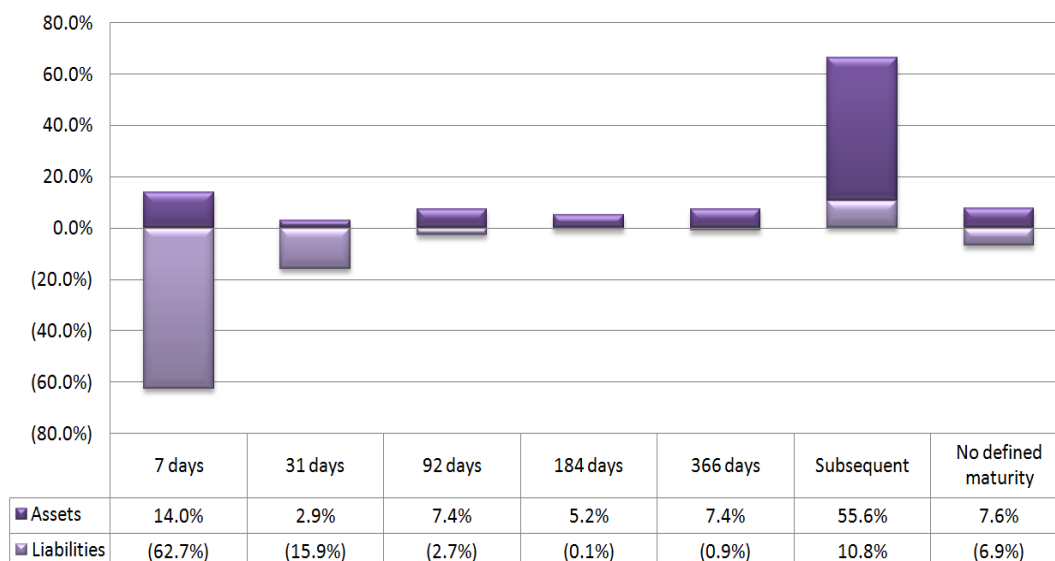
Lending and borrowing transactions in local currency increased 8.2% during 2015, which is placed in the amount of \$414,489 at December month end. Both balance sheet and memorandum account positions are considered, that is repurchase transactions (repos) and derivatives in the Maturity Gap, based on regulatory criteria. It is important to note that local currency deliverable on the trading of dollar forwards have been reclassified as liabilities, and the valuation of cross-currency swaps have been reclassified as assets.

Maturity ranges	2015			2014		
	Assets	Liabilities	Gap	Assets	Liabilities	Gap
Up to 7 days	\$ 57,889	\$ 259,909	(202,020)	\$ 20,959	\$ 224,164	(203,205)
Up to 31 days	11,908	65,713	(53,805)	14,860	63,093	(48,233)
Up to 92 days	30,481	11,253	19,228	24,826	15,693	9,133
Up to 184 days	21,746	551	21,195	11,476	1,677	9,799
Up to 366 days	30,818	3,755	27,063	29,371	9,034	20,337
Subsequent	230,253	44,601	185,652	261,694	45,253	216,441
With no defined maturity	31,394	28,707	2,687	19,797	24,069	(4,272)
Total	\$ <u>414,489</u>	\$ <u>414,489</u>		\$ <u>382,983</u>	\$ <u>382,983</u>	

The negative liquidity gap on the horizon of one month amounts to \$255,825, that is, \$4,387 more than the level recorded in the amount of \$251,438 the prior year.

16.8% of the assets and 78.6% of the liabilities matured in January 2016.

Maturity Profile (Mexican pesos)



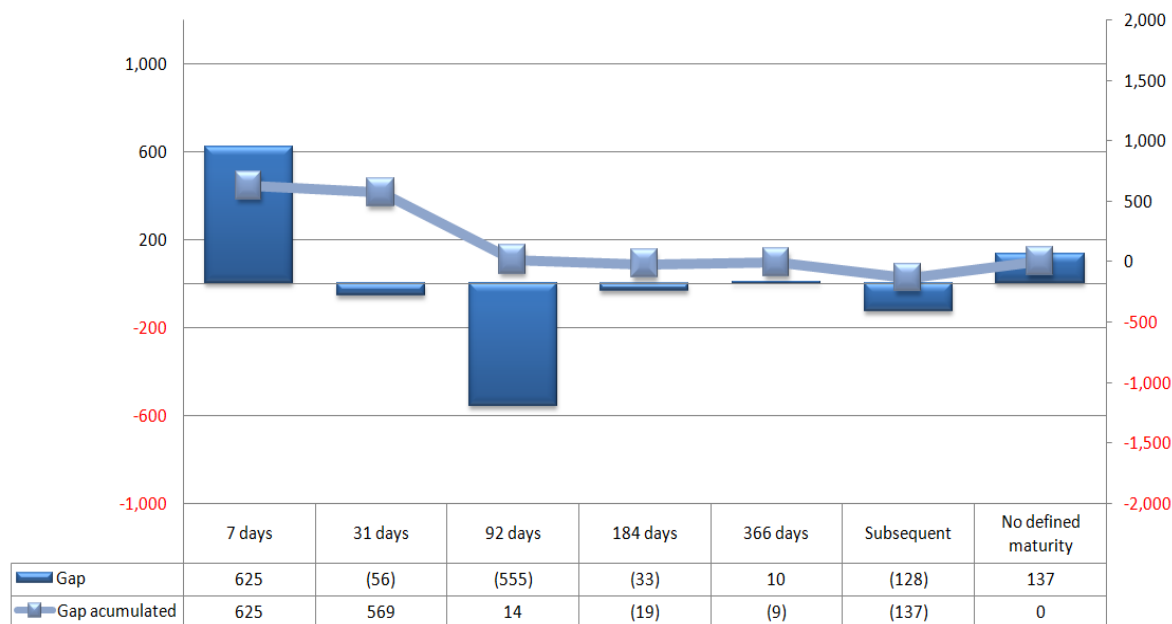
5. Foreign currency maturity profile

Foreign currency lending and borrowing transactions at December 31, 2015 increased 63.6% in the course of the year, which resulted in a higher amount in assets and liabilities less than one month. Both balance sheet and memorandum account positions are considered, that is repurchase transactions (repos) and derivatives in the Maturity Gap, based on regulatory criteria.

Maturity ranges	2015			2014		
	Assets	Liabilities	Gap	Assets	Liabilities	Gap
Up to 7 days	\$ 2,237	\$ 1,612	625	\$ 407	\$ 362	45
Up to 31 days	351	407	(56)	721	771	(50)
Up to 92 days	69	624	(555)	217	700	(483)
Up to 184 days	193	226	(33)	149	139	10
Up to 366 days	47	37	10	104	23	81
Subsequent	1,932	2,060	(128)	1,317	1,040	277
With no defined maturity	137	0	137	120	0	120
Total	\$ 4,966	\$ 4,966		\$ 3,035	\$ 3,035	

In accordance with the contractual maturity of foreign currency assets and liabilities, and based on the amounts of the balance sheet at December 2015 closing, it is observed that there was liquidity in the amount of \$625 in the first 7 days of January 2016.

Maturity GAP ME



6. Estimate of gain or loss on advance sale

In order to comply with the provisions of Article 81 of Section I, paragraph b), of the Provisions, the estimate on the gain or loss on the advance sale of assets in normal conditions and in extreme scenarios is presented below.

At December 2015-month end, upon considering crisis scenarios in corporate and investment trading portfolios a maturity, a loss would have been generated amounting to 176.0 million MXP equivalent to 1.07% of the value of the position, if there had been a situation similar to that at October 16, 2008.

Portfolio MXP	Position	Advance sale	Crisis scenarios					
			12/21/94	8/25/98	9/11/01	9/19/02	4/28/04	10/16/08
Corporate Trading	5,409.1	(34.1)	1.1	16.5	(34.1)	18.4	18.8	6.0
Investment to Maturity	11,028.0	(146.4)	(100.2)	(131.4)	(1.5)	(22.8)	(146.4)	(182.0)

Upon considering crisis scenarios on the Cayman Island's available-for sale portfolios and the held-to-maturity bonds of London and Cayman Island, a loss could have been caused amounting to 58.7, equivalent to 0.92% of the value of the position, if there had been a situation similar to the crisis of 2008.

Portfolio MXN	Position	Advance sale	Crisis scenarios					
			12/21/94	10/12/98	9/12/01	9/19/02	5/10/04	10/16/08
Available- for-sale	5,105.0	(178.4)	(17.9)	(178.4)	(208.0)	(84.9)	(70.6)	(52.3)
Investment to Maturity	1,258.1	(19.6)	(5.2)	(42.0)	(7.1)	(19.6)	(16.6)	(6.4)

7. Credit risk

Credit risk is defined as the likelihood that a counterparty or borrower fails to perform its credit obligations in due time and proper form. It further refers to the loss of value of an investment determined by the change in creditworthiness of any counterparty or borrower, without necessarily resulting in an omitted payment.

8. Expected Loss

The expected loss on the loan portfolio is obtained by using the portfolio rating methodology set forth in Chapter V of the Provisions, in connection with the Loan Portfolio.

Pursuant to the reserve obtained under this methodology, the following assumptions are also established:

- The former employee portfolio is excluded to directly measure the effect of expected losses of the portfolio with private sector risk.
- The credit to the Trust is not considered as a contingent (nonperforming) portfolio for Risk Equity, since this Trust is responsible for managing its credit risk.
- No additional reserves are included.
- The portfolio of the financial agent is not considered since it is a portfolio without risk.
- It is considered a nonperforming portfolio. Moreover, in accordance with the portfolio rating methodology based on the expected loss, should an event of nonperformance materialize, it does not imply that the expected loss should be provided for at 100%

Under these assumptions, at December 2015 closing, the total portfolio is placed in the amount of \$171,421.8, whereas the expected loan portfolio loss amounts to \$1,976.5, equivalent to 1.15% of the rated portfolio and an equal percentage of the total portfolio.

Estimate of expected losses			
Portfolio	Portfolio balance	Expected Loss	% Expected Loss
Unrated	\$ 171.6	\$ -	0.00%
Risk A	141,628.1	1,040.6	0.73%
Risk B	27,466.5	564.5	2.06%
Risk C	568.9	33.3	5.85%
Risk d	47.0	-	0.00%
Risk E	1,711.3	338.1	19.76%
Rated	171,421.8	1,976.5	1.15%
Total	\$ 171,593.4	\$ 1,976.5	1.15%

9. Unexpected losses

The unexpected loss represents the impact that could be suffered by the Institution's capital derived from unusual loan portfolio losses, the level of coverage of this loss on capital, and reserves of an Institution is a solvency indicator adjusted by the risk thereof.

Effective December 2005, the estimate of unexpected loan portfolio loss operations is realized at the Institution, by using analytical and Monte Carlo simulation methodologies. As of that date, the stability of these measures and their behavior in the face of various changes in the environment has been observed to determine which of them should be used as the risk measure of Institution's loan portfolio.

In November 2007, the CAIR concluded that of the methodologies proposed for the estimate of the unexpected loan portfolio loss, the methodology with an economic approach is the best methodology that best conforms to the basic internal method of Basel II, based on:

- The similarity of concepts existing between the proposed economic methodology and capital requirement for the loan risk estimated starting with the basic approach of Basel II. This approach enables institutions to estimate the capital requirement with internal methods that is necessary to support their risk.
- The high correlation and similarity of the average capital requirement observed of internally applied methodologies of proposed unexpected loan portfolio loss during a year.

Moreover, the Institution considered that the unexpected loan portfolio loss should continue to be estimated monthly using the valuation and Monte Carlo methodologies, so as to have information in view of future changes of banking regulations in which portfolio market valuation is requested. These methodologies are applied over a one-year time frame with a 95% reliability level.

At December 2015 year-end, the estimate of the unexpected loss under the economic approach amounts to \$13,647. Meanwhile, the VaR of the credit amounts to \$16,087 million Mexican pesos and represents 9.38% of the exposed portfolio.

10. Counterparty risk and diversification

Comprehensive control of counterparty risk is exercised at the Institution, by applying credit exposure limits established. These limits consider operations throughout all the balance sheet, that is, both on financial markets and in the loan portfolio. The methodology used is consistent with the General Rules for the Diversification of Risks in the Realization of Lending and Borrowing Operations, applicable to Lending Institutions.

At December 2015 closing, no loan risk is concentrated in any economic group above maximum financing limits.

The following number of loans exceeds 10% of the basic capital individually:

<u>Number of loans</u>	<u>Total amount</u>	<u>Percentage of capital</u>
32	\$160,646	751.31 %

Financing with the three highest debtors or, if applicable, groups of persons that represent common risk amounts to \$42,093.

11. Operating Risk

Comprehensive risk management provisions set forth two large categories for risk classification are presented below:



Objective:

The main objective for the operating risk is to identify, quantify, manage, and control risks generated by the business operation, but they are not a result of taking a risk position. Each one of the risks is described in detail below:

- a) **Operating Risk:** the determination of potential losses derived from internal control failures of deficiencies, errors in processing and storing the transactions that are included among other risks:
- b) **Technological risk:** the determination of potential losses on damages, interruption, alteration or failures derived from the use of hardware, software, systems, applications, networks, and any other information distribution channel in the presentation of banking services with the Institution's customers.
- c) **Legal Risk:** the determination of potential losses derived from the applicable legal and administrative provisions, unfavorable administrative and judicial resolutions handed down, as well as the application of sanctions in connection with the operations carried out by the Institution.

Policies:

The policies that the Institution has for operating risk are as follows:

- a) Operating risk: Identify the processes that describe the Institution's business, identification, classification, and quantification of the inherent risks relative to those to which such processes are exposed, by classifying them by their relevant risk factors, as well as the identification and classification of events of potential losses, and also determine and monitor tolerance levels and applicable risk limits.
- b) Technological risk: Vulnerability indicators will be designed and monitored in hardware, software, systems, applications, security, information retrieval and networks, processing errors, etc. Also determine and monitor tolerance levels.
- c) Legal risk: Identifying and quantifying of probable potential losses derived from unfavorable court decisions or administrative rulings of lawsuits in which the Institution is a plaintiff or defendant, as well as the possible application of penalties related to the transactions carried out or breach of the applicable regulations. Indirect labor lawsuits in process do not contribute in an amount of contingency and/or provision, since they are not quantifiable as long as no ruling has been handed down against the Institution.

Strategy:

The Institution's main strategy for operating risks (including technological and legal) is to mitigate the risks identified in the most appropriate manner, which might affect or prejudice the Institution's solvency with the support of the Internal Controllershship Department. The information of operating risks should also be disclosed to the Governing Bodies in timely and proper form, so that they can make timely decisions. Moreover, institutional integration of the risk culture should be encouraged in the daily operation, thereby encouraging compliance with institutional goals and objectives.

Process:

The operating risk process is fundamental, and it is documented and certified in accordance with the quality management system under ISO 9001-2008 Standard, which assists in reaching the objective of managing operating risk to which the Institution is exposed.

Method used to determine the Operating Risk Capital requirement:

The Institution uses the Basic Indicator Method to calculate the capital requirement on its exposure to operating risk, by following the methodology described in the Provisions.

Scope and nature of information systems and operating risk measurement and their reports:

The Institution uses the institutional system named operating risk Tool (HeRO), which automatically reports the results obtained of operating risks, as well as their classifications and quantifications.

Operating risk related reports (including technological and legal) are drawn up on the Comprehensive Risk Management Committee (CAIR), through the "Risk Management and Follow-up Report" at least every quarter.

Operating Risk Methodologies and results (including technological and legal).

- **Operating Risk.**

Nondiscretionary quantifiable risks - Qualitative analysis

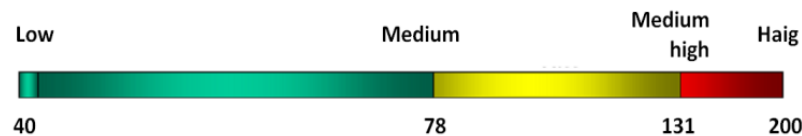
The methodology used for managing discretionary quantifiable risks and qualitative analysis is through the internal Institutional Operating Risk Model (named MIRO), which is based on self-evaluations of the processes that describe the Institution's duties.

The qualitative and quantitative analysis of self-evaluations applied to each process is based on a Scorecard methodology that identifies a set of questions to which different scores or different weights are defined. They are grouped, into two indicators, Nature and Efficiency.

Nature Indicator It is the degree of importance of the process analyzed in connection with the Institution's other processes that require a higher or lower availability of funds and infrastructure to guarantee the business as a going concern. Their tolerance levels are as follows:



Efficiency indicator. It is the measurement of the proper execution of a process allowing develop plans to foresee undesired events that permit sensitize the perception of Operating Risk through a measurement. The levels of tolerance are distributed as follows:



Each one of the indicators has different reagents in five large relevant risk factors for the Institution, which are:

- Regulatory Framework
- Transaction
- Person
- Technological
- Relationship between customers and suppliers

The most relevant processes evaluated are compared and reported every quarter.

The result obtained at December 31, 2015 closing of the most relevant processes that describe the duties of the Institution, in terms of nature indicator, is as follows:

Name of the process	Nature Indicator */	Tolerance level
Treasury management	94.56	High Risk
Foreign Exchange Market	88.15	High Risk
Cash flow management and control	87.29	High Risk
Money market	85.12	High Risk
Capitals Market	85.08	High Risk
Securities and Cash Flow Custody and Management	84.17	Medium High Risk
General Cashiers Office	84.00	Medium High Risk
Recovery of Second Tier Portfolio	78.13	Medium High Risk
Front Office Financial Agent	76.50	Medium High Risk
Derivatives Market	75.89	Medium High Risk
Credit Control Desk Operation	73.20	Medium High Risk
Back Office Financial Agent	72.13	Medium High Risk
Recovery of First Tier Portfolios, Emerging Programs, and Former Employees	67.80	Medium High Risk
Fiduciary Process	64.23	Medium High Risk
It keeps securities and central file	64.00	Medium High Risk
Expense operation	62.90	Medium High Risk
Financial and Accounting Information and preparation of Financial Statements	62.75	Medium High Risk
Automatic Guarantee Management	60.72	Medium High Risk
Electronic Product Management	56.00	Medium High Risk

*/ The higher the score, the more critical in terms of the nature of the process.

The result obtained at December 31, 2014 of the most relevant processes that describe the duties of the Institution, in terms of efficiency, is as follows:

Name of the process	Efficiency indicator */	Tolerance level
Financial and Accounting Information and preparation of Financial Statements	53.25	Medium Risk
Front Office Financial Agent	51.50	Medium Risk
Treasury management	46.33	Medium Risk
Securities and Cash Flow Custody and Management	41.50	Medium Risk
Fiduciary Process	41.00	Medium Risk
Cash flow management and control	40.43	Medium Risk
Foreign Exchange Market	38.71	Low Risk

Name of the process	Efficiency indicator */	Tolerance level
Derivatives Market	36.92	Low Risk
Recovery of Second Tier Portfolio	35.13	Low Risk
Back Office Financial Agent	35.13	Low Risk
Money Market	33.32	Low Risk
Capitals Market	32.77	Low Risk:
Expense operation	32.55	Low Risk:
General Cashiers Office	31.00	Low Risk
Recovery of First Tier Portfolios, Emerging Programs, and Former Employees	31.00	Low Risk
Electronic Product Management	30.00	Low Risk
Credit Control Desk Operation	25.70	Low Risk
It keeps securities and central file	25.67	Low Risk
Automatic Guarantee Management	24.04	Low Risk:

Note .- The higher score, the more critical in terms of the efficiency of the process.

Upon performing self-evaluations of the processes, relevant inherent risks are identified, classified, and quantified. The methodology for its classification and quantification is defined by the provisions of Article 207 and exhibit 36, series R28-"operating risk information" report. These risks are disclosed to the Commission through the "Estimate level of operating risk" every year.

The tolerance level and risk limit allowed by the Institution for relevant inherent risks will be those that are within the quadrant 9 red zone (high frequency and high impact). These risks are reported quarterly in the Risk Follow-up and Management Report to the CAIR.

During the fourth quarter of 2015, no inherent operation risk was recorded in the red zone, is to say quadrant 9.

Nondiscretionary quantifiable risks - Quantitative analysis

The events of loss on operating risk are identified and obtained from accounting. This information is obtained from general ledger accounts already defined together with the Accounting and Budget Department, which will be affected only by events related to operating risk.

Operating risk events that take place at the Institution are classified in accordance with the methodology defined in the provisions of Article 86 and Article 207, exhibit 12-A and exhibit 36 series R-28 report "operating risk information" report of the Provisions. These results are disclosed to the Commission through the "Events of loss on operating risk and updating of events of loss on operating risk" every quarter.

The risk limit of events of loss on operating risk is 0.05% of the net income calculated in accordance with the provisions of December of prior year.

Twenty-six events of loss on operating risk was recorded in 2015, with a probable effect amounting to 0.16 million pesos, which are summarized as shown in next page:

Quarter	Frequency	Likely economic effect	% of the LEI in each quarter
First	5	0.00	0.33%
Second	10	0.03	17.67%
Third	7	0.02	15.21%
Fourth	4	0.11	66.79%
Total	26	0.16	100.00%

The consumption of the limit of loss events at every month end of 2015 was within the established parameters.

• **Technological Risk Management**

The methodology used for technological risk management is monitored by the Informatics Department, and it is based on five main indicators: network security, detection and blocking of viruses, availability of services (divided into critical and non-critical) and, when applicable, the recovery of critical services in a disaster simulated drill (DRP).

The Informatics Department monitors the levels obtained in each indicator every month and compares them with the authorized tolerance levels (Meta). Moreover, this information is inputted in to the Operating Risk Tool.

During the fourth quarter of 2015, monthly behavior of technological risk indicators was as follows:

T. R. Indicator Description	Measurement Unit	Meta	Oct'15 Result	Nov'15 Result	Dec'15 Result
Access security level to the Nafinsa network.	Without intrusions to critical mission equipment	100.00%	100.00%	100.00%	100.00%
Detection and blocking of viruses to the Nafinsa network.	% of impacts on critical mission equipment due to virus.	100.00%	100.00%	100.00%	100.00%
Availability level of critical services	% of availability level in a critical window	99.00%	99.43%	99.63%	99.43%
Recovery of critical services under simulated contingency disaster practices.	% compliance with the date for realizing the simulated exercise.	100.00%	100%	N/A	N/A
Availability level of non-critical services	% of availability level in a critical window	97.00%	99.80%	99.88%	99.87%

During 2015, the quarterly average behavior of technological risk indicators was as follows:

T. R. Indicator Description	Measurement Unit	1st Quarter 2015	2nd Quarter 2015	3rd Quarter 2015	4th Quarter 2015	Average Annual 2015
Access security level to the Nafinsa network.	Without intrusions to critical mission equipment	100.00% every month	100.00% every month	100.00% every month	100.00% every month	100%
Detection and blocking of viruses to the Nafinsa network.	% of impacts on critical mission equipment due to virus	100.00% every month	100.00% every month	100.00% every month	100.00% every month	100%
Availability level of critical services	% of availability level in a critical window	99.89%	99.62%	99.54%	99.50%	99.64%
Recovery of critical services under simulated contingency disaster practices.	% compliance with the date for realizing the simulated exercise.	N/A	N/A	N/A	100% Held in October	100% Held in October
Availability level of non-critical services	% of availability level in a critical window	99.99%	99.93%	99.96%	99.85%	99.93%

At each one of the month ends of 2015, the average of the availability level of critical and non-critical services were within the established goals.

Legal Risk

The methodology used for legal risk management estimates potential legal losses, by considering a contingency, provision, or allocation to income, which are based in accordance with the expectation to have a favorable ruling handed down, and they are classified in accordance with five ranges:

- Without sufficient elements
- High
- Moderate
- Considerable
- Low

The result of potential legal risk losses is grouped and reported with at least a quarterly periodicity, by type of litigation which are as follows:

- Labor nature
- Litigation Portfolio
- Trust
- Treasury and securities trading

At December 2015-year end, the status of recording potential legal risk losses is as follows:

Type of lawsuit	Contingency	Provision	Provision / Contingency	Income (loss)	Income or loss / Provision
Total (1+2+3+4)	135.47	39.32	29.02%	16.8	42.72%
1) Labor Nature	24.2	11.89	49.13%	3.99	33.56%
2) Litigation Portfolio	28.61	9.11	31.84%	7.01	76.95%
3) Trusts	82.66	18.32	22.16%	5.79	31.60%
4) Treasury and securities trading	0.00	0.00	0.00%	0.00	0.00%

Comparative results with the prior year:

1. The labor portfolio contingency reports an amount of 24.20 million pesos, which had a 15.48% decrease with respect to the prior year end closing, which is equivalent to an amount of (4.43) million pesos. The provision reports an amount of 11.89 million pesos, which had a 40.66% decrease compared with the prior year, which is equivalent to an amount of (8.15) million pesos. The movement in Contingency and Provision is derived mainly from the termination of three labor lawsuits, the update in the expectations of having a favorable ruling handed down for the institution and their restatement in the amount of the suit by operation of law.
2. The litigation portfolio reports an amount of 28.61 million pesos, which had a 90.17% decrease with respect to the prior year end closing, which is equivalent to an amount of (262.47) million pesos. The litigation portfolio reports an amount of 9.11 million pesos, which had a 141.46% increase with respect to the prior year end closing, which is equivalent to an amount of 5.34 million pesos. The movement of the contingency was derived from the satisfactory conclusion of two lawsuits. The increase in the provision is derived from the restatement of the expectation of cases during the year.
3. The trust portfolio reports an amount of 82.66 million pesos, which had a 1.53% decrease with respect to the prior year end closing, which is equivalent to an amount of (1.28) million pesos in comparison with the prior year. The provision of the trust reports an amount of 22.16 million pesos, with a 26.67% increase, which is equivalent to an amount of 3.86 million pesos compared with the prior quarter. The movement of Contingency and Provision is derived from the updating of expectations of rulings of cases for the Institution.

Pursuant to the foregoing, there is a contingency amounting to 135.47 million pesos, a provision that amounts to 39.32 million pesos, and an effect in income amounting to 16.80 million pesos, with amounts at December 2015-year end.

Unquantifiable risks

Unquantifiable risks are those derived from losses or unforeseen external events that cannot be associated with a likelihood of occurrence and the economic losses caused can be transferred to external risk taking entities.

Type of risk	Definition	Example
Catastrophic events	Risk of loss due to catastrophic events of nature that can interrupt the operation or affect Institutions net worth.	Fire, earthquake, volcanic eruption, hurricane, among other things.
External	Risk of loss caused entities not related to the Institution.	Vandalism, demonstrations, etc.

This type of risks will be followed up on considering the following criteria:

Inventory	Control measures	Economic impact
Capital Assets	Institutional Capital Asset Insurance Program	Payment of premiums
Repossessed Assets	Institutional Capital Asset Insurance Program	Deductibles in the event that they should materialize.

Five claims were reported on the institution's capital assets in the field of electronic equipment, which were equivalent to a claimed amount of \$0.04 million pesos during 2015.

General Internal Control Rules in a Federal Public Administration environment

The procedure for defining and formalizing the documents that contain the matrix and map of the ten main institutional risks , which would affect achieving objectives and strategies for 2015, including the Institutional Risk Management Work Plan (PTAR 2015), was started, realized, and concluded in 2015.

Meetings were held for the objective of following up on and formalizing the first, second, and third quarter of the 2015 PTAR, which were held with the persons responsible for the control actions in order to carry out the strategy for managing each one of the ten main risks and comply therewith.

NOTE 33. REFORMULATION OF 2014 FINANCIAL STATEMENTS

During fiscal 2015, the Institution recognized certain accounting corrections in the financial statements for the year ended December 31, 2014 retrospectively, with the following effects:

	Balances at December 31, 2014	Reformulation effects	Reformulated balances at December 31, 2014
ASSETS			
Permanent investments	(a) \$ <u>6,207</u>	\$ <u>(2)</u>	\$ <u>6,205</u>
Deferred taxes and employee profit sharing (net)	(b) \$ <u>224</u>	\$ <u>14</u>	\$ <u>238</u>
STOCKHOLDERS' EQUITY			
Capital gains			
Prior year losses	(a) \$ <u>(257)</u>	\$ <u>(2)</u>	\$ <u>(259)</u>
Net income (loss)	(b) \$ <u>1,648</u>	\$ <u>14</u>	\$ <u>1,662</u>

(a) Recognition of valuation in permanent investments, due to the new structure of its capital stock, corresponding to prior years.

(b) Complement in the recognition of the deferred taxes of the Institution's subsidiary, corresponding to fiscal 2014.

NOTE 34. NEW ACCOUNTING PRONOUNCEMENTS

At December 31, 2015, the CINIF has enacted the following FRS that might have an impact of the financial statements of the Institution.

FRS D-3 "Employee benefits" - This FRS goes into effect for fiscal years beginning January 1, 2016, with retrospective effects. Its early application is permitted beginning January 1, 2015, and it renders the provisions that existed in FRS D-3 null and void.

The main changes included are as follows:

- Direct Benefits: the classification of direct benefits was modified in the short-term in direct benefits, and the recognition of deferred Employee Profit Sharing was ratified.
- Termination benefits: The bases were modified for identifying when payments for labor disconnection actually meet the postemployment benefit conditions and when they are termination benefits.
- Postemployment benefits – Book recognition, among other things, was modified of the multi-employer plans, governmental plans, and for entities under common control, recognition of the net liability (asset) for defined benefits, bases for the determination of the actuarial assumptions of the discount rate, recognition of the Prior Labor Service Cost (CLSP), and Early Settlements of Obligations(LAO).

- Remeasurements: The broker approach or fluctuation range for the treatment of plan gains and losses (GPP) is eliminated in the recognition of postemployment benefits; therefore, those benefits will be recognized directly as remeasurements on Other Comprehensive Income (OCI) when accrued and recycled to net income or loss for the period under certain conditions.
- Plan assets Ceiling (PA) – A ceiling is identified for the plan asset by specifying that funds contributed by the entity do not qualify as such.
- Recognition in income of Plan Amendments (PA), Personnel Reductions (PR), and early liquidations of Obligations (LAO) in postemployment benefits, and all CLSP are recognized immediately in income.
- Discount rate: it sets forth that the discount rate of the Defined Benefits Obligation DBO is based on high quality bond rates with a deep market and, in the absence thereof, on governmental bond rates.
- Termination benefits require that it be analyzed if payments for termination or separation qualify as termination benefits or if they are post-termination benefits. It further sets forth that if it is a non-cumulative benefit without pre-existing conditions for being granted, it is a termination benefit and, therefore, it sets forth that it must not be recognized until the event takes place. However, if there are pre-existing conditions, either by contract, law or payment practices, it is considered a cumulative benefit, and it must be recognized as a postemployment benefit.

Improvements to FRS 2016:

The following improvements were issued that generate accounting changes effective beginning January 1, 2016.

FRS C-1, Cash and cash equivalents, and FRS B-2, Statement of cash flows:

They are modified to consider foreign currency as cash and not as cash equivalents. Moreover, it explains that both opening and final valuation of cash equivalents must be carried out at fair value.

Bulletin C-2, Financial instruments and Amendment to Bulletin C-2:

- a) The definition of financial instruments available-for-sale is modified to clarify that they are instruments that have the intent of being traded in the medium-term from the time at which they are invested in and on dates prior to their maturity, in order to obtain gains based on their changes in their value on the market, and not only through yields inherent thereto.
- b) Criteria are defined that must be taken into account for an entity to be able to classify a financial instrument as available-for-sale, which is not possible when: i) there is an intent to hold it for an undefined period; ii) the entity is willing to sell the financial instrument; iii) there is a put option or a call option in favor of the instrument; and iv) the issuer of the instrument is entitled to liquidate the financial instrument at a significantly lower amount than its redeemed cost.

- c) The concept of purchase expenses is eliminated and the definition of transaction costs is incorporated.
- d) Impairment losses are permitted to be reversed related to held-to-maturity financial instruments in net income or loss for the period.

Bulletin C-10, Derivative financial instruments and hedge transactions -

- a) This Bulletin sets forth that at the inception of the hedge in the periods subsequent to and at the date of the financial statements, hedge effectiveness must be evaluated and the method used to measure effectiveness must be defined as well.
- b) It explains how to designate a primary position.
- c) The accounting recognition is modified of the transaction costs of a derivative financial instruments to be recognized directly in the net income or loss for the period at the time of acquisition and not be amortized over its period of effectiveness.
- d) Explanations are made on the recognition of embedded derivative financial instruments.

The following changes were issued that do not lead to accounting changes:

FRS C-19, Financing instruments payable (IFP):

Amendments are made with respect to: i) the definition of transactions costs; ii) when the amortization of transaction costs must be recalculated; iii) the entity must prove that it meets the conditions of designating a financial liability at fair value through the net income or loss, in order to support its accounting policy; iv) disclose the gain or loss on retiring an IFP, and the fair values of significant liabilities at a long-term fixed rate. Moreover, it incorporates an appendix as support in the determination of the effective interest rate.

FRS C-20. Financing instruments receivable:

Changes are incorporated to define and explain various concepts for the issue of new FRS relative to the issue of financial instruments and for the final issue of International Financial Reporting Standard 9, Financial Instruments. The main changes include transaction costs and their amortization, effective interest rate, credit impairment, foreign currency instruments, reclassification from debt to fair value and from financing receivable, value of money in time, and disclosure of qualitative and quantitative information.

NOTE 35. 2014 FINANCIAL AND FISCAL REFORM

Financial Reform

The "Decree that Reforms, Aggregates, and Repeals Various Financial Provisions and the Law to Regulate Financial Groups is issued" was published in the Official Daily Gazette on January 10, 2014. Its main trends are as follows:

- Strengthening the CONDUSEF.
- Establish a new mandate for development banking.
 - In order to strengthen and expand credit, by placing special emphasis on areas for national development, such as infrastructure, small and medium-sized companies, as well as innovation and creation of patents.
- Encourage competition in the banking system to lower rates and costs.
- Generate additional incentives for banks to grant more financing.
- Strengthen the Mexican financial and banking system.

Moreover, the following laws, among other things, are modified:

- a) Lending Institutions Law.
- b) General Law of Securities and Credit Transactions.
- c) Commercial Bankruptcy Law.
- d) Financial Service User Protection and Defense Law.
- e) Laws to Regulate development banking institutions.
- f) Commercial Code.
- g) Bank Savings Protection Law.
- h) National Banking and Securities Commission Law.
- i) Stock Market Law.
- j) Mutual Funds Law.

Fiscal Reform

This reform implies significant changes in legislation related to:

- a) Elimination of the tax consolidation regime.
- b) New Tax Integration Regime.
- c) Income Tax on dividends.
- d) Elimination of the simplified Regime.
- e) Change of the regime applicable to maquiladoras.
- f) Elimination of the tax incentive for investors in Real Estate Investment Companies.
- g) Changes in the accrual scheme of the Income Tax Law for sales in installments (sales in partial payments).
- h) Changes in the deduction scheme of deductions of employee benefit expenses in the Income Tax Law.
- i) Change in the Income Tax Rate.
- j) Changes in the determination of Employee Statutory Profit Sharing (ESPS)
- k) Asset Tax recoverable
- l) Special mining fees.
- n) Repeal of the Cash Deposit Tax (IDE).

The Institution performed the analysis of the impact of these reforms on its operation.


NOTE 36. AUTHORIZATION TO ISSUE THE FINANCIAL STATEMENTS

The officers who subscribe the consolidated financial statements authorized those statements and their corresponding notes to be issued on February 16, 2016.

These notes are part of the consolidated financial statements at December 31, 2015 and 2014.



Dr. Jacques Rogozinski Shtulman
Chief Executive Officer



Dr. Federico Ballí González
Associate General Director of Administration and
Finance



C.P. Sergio Navarrete Reyes
Director of Accounting and Budget

ANNEX C

National Advisory Councils Members

NORTHWEST REGION

BAJA CALIFORNIA

President
Gustavo Camarena Salinas

BAJA CALIFORNIA SUR

President
Armando Sánchez Porrás

SINALOA

President
José Lauro Meléndez Parra

SONORA

President
Roberto Gómez del Campo Laborín

NORTHEAST REGION

COAHUILA

President
Ricardo Santibáñez Cepeda

CHIHUAHUA

President

DURANGO

President
José Jaime Gutiérrez Núñez

NUEVO LEÓN

President
Francisco Garza Zambrano

TAMAULIPAS

President
Juan Miguel Rubio Elosúa

WESTERN REGION

AGUASCALIENTES

President
José Manuel Gómez Marmolejo

COLIMA

President
José Manuel Costa Lavín

GUANAJUATO

President
José Martínez González

JALISCO

President
Miguel Alfaro Aranguren

MICHOACÁN

President
Germán Oteiza Figaredo

NAYARIT

President
Guillermo Valdez Menchaca

SAN LUIS POTOSÍ

President
Alejandro Hernández de la Rosa

ZACATECAS

President
José de Jesús Aguirre Campos

CENTRAL REGION

MEXICO CITY

President
Juan Murguía Pozzi

STATE OF MEXICO

President
Simón Cohen Hamui

GUERRERO

President
Roberto Sampedro Rosas

HIDALGO

President
José David Maauad Abud

MORELOS

President
Salvador Castañeda Brilanti

PUEBLA

President
Erich Junghanns Diestel

QUERÉTARO

President
Francisco Núñez Elías

TLAXCALA

President
Enrique Morodo Santisteban

SOUTHEAST REGION

CAMPECHE

President
Víctor Manuel Abraham Elías

CHIAPAS

President
Adrián Marengo Olavarrieta

OAXACA

President
Felipe Martínez Vasconcelos

QUINTANA ROO

President
Cristina Alcayaga Núñez

TABASCO

President
Cristóbal Broca Hernández

VERACRUZ

President
Fernando Sedano Zapata

YUCATÁN

President
Emilio José Sansores Font

ANNEX D

Directory of Regional and Overseas Offices

REGIONAL OFFICES

NORTHWEST REGIONAL OFFICE

SAID SAAVEDRA BRACAMONTE
Director

Bldv. Eusebio Kino No. 309
Torre Hermosillo 5° piso
Col. Country Club
Hermosillo, Son.
C.P. 83010
Tel: 01-662-289-2301 to 2303
E-mail: ssaavedra@nafin.gob.mx

CENTRAL REGIONAL OFFICE

DAVID GARIBAY MENDOZA
Director

Insurgentes Sur 1971, torre 4, piso 11, Plaza Inn
Col. Guadalupe Inn,
Delegación Álvaro Obregón
Mexico City
C.P. 01020
Tel: 01-55-5325-6132
E-mail: dgaribay@nafin.gob.mx

NORTHEAST REGIONAL OFFICE

LUIS ROBERTO REYNA ORTIZ
Director

Av. El Roble No. 300, Edificio Torre Alta,
P.B. Esq. Gómez Morín
Col. Valle del Campestre
San Pedro Garza García, N.L.
C.P. 66265
Tel: 01-81-8173-1201 and 1211
E-mail: lrreynao@nafin.gob.mx

SOUTHEAST REGIONAL OFFICE

MARÍA TERESA CAVAZOS SAMIA
Director

Calle 17 No. 135 Esq. Calle 28
Col. Mexico
Merida, Yuc.
C.P. 97125
Tel: 01 999 948-4883
01 999 948-4884
E-mail: mcavazos@nafin.gob.mx

WESTERN REGIONAL OFFICE

JORGE ALBERTO GUERRA MÁRQUEZ
Director

Rubén Darío No. 1109-5A,
Col. Providencia
Guadalajara, Jal.
C.P. 44620
Tel: 01-33-3648-5501 and 5502
E-mail: jaguerra@nafin.gob.mx

LONDON BRANCH

PEDRO GUERRA MENÉNDEZ
Commissioned
in substitution for the absence
of the owner

28th Floor, 30 St. Mary Axe
London EC3A 8BF
Tel: 00 (44) 020-7469-4123
Fax: 00 (44) 020-7469-4122

The information in this report was
compiled by the Financial Planning and Programing Department.

Editing was overseen
by the Marketing and Advertising Office.



[/nafinsa](#)



[/nafinsa](#)



[/nafinsamf](#)



nacional financiera
Banca de Desarrollo

