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

INDEPENDENT AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2016 AND 2015

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

INDEPENDENT AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS

Crowe Horwath Gossler

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

Opinion

We have audited the 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, 2016 and 2015, and the consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and a summary of the significant accounting policies.

In our opinion, the consolidated financial statements of the Institution at December 31, 2016 and 2015, 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 (the Commission).

Basis for the opinion

We have conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are described below in the section Responsibilities of the auditor in relation to the audit of the consolidated financial statements of our report. We are independent of the Institution in accordance with the Code of Professional Ethics of the Mexican Institute of Public Accountants, AC (Code of Professional Ethics), along with the ethical requirements that are applicable to our audits of the financial statements in Mexico, as well as the independence requirements that external auditors must meet in accordance with the provisions of the Commission, and we have complied with the other ethical responsibilities in accordance with those requirements and with the Code of Professional Ethics. We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

Emphasis paragraph

Note 24 to the consolidated financial statements sets forth that the Institution made payments in the amounts of $800 million and $700 million mexican pesos on December 9, 2016 and 2015, respectively, in accordance with the provisions in official letters numbers 102-8-023 and 102-8-077, dated December 8, 2016 and 2015, respectively, issued by the Vice Ministry of Finance and Public Credit, whereby the Federal Government instructs the Institution to made 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 2016 and 2015. Our opinion contains no qualifications in relation to this issue.

Key audit issues

Key audit issues are matters that, according to our professional judgment, have been of the greatest significance in our audit of the consolidated financial statements of the current period. These issues have been addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion on them, and we do not express a separate opinion on these issues. We have determined that the issues described below are key audit issues that must be disclosed in our report:

Investments in securities - Recognition and measurement

Investments in securities of the Institution were significant, since they represented 48% of total assets at December 31, 2016, whose risks were represented in the compliance with the controls that normatively guarantee their recorded entry, valuation, presentation, and confirmation of those investments.

We evaluate and test the controls that allow for assuring proper normative compliance with the recognition of investments in security at the time of their acquisition, by verifying that fair value has been measured appropriately, based on the market values furnished by a price vendor, as well as the recognition of accrued interest and its correct presentation in assets, as well as in capital gains. In addition, we obtained satisfactory confirmation of the investments that were selected to verify their existence, considering their appropriate disclosure by the Institution as well. The results of our audit tests were satisfactory.

Loan portfolio (Net) - Recognition and measurement

Considering that the substantive activity of the Institution is to grant credits, as well as the significance of the Loan Portfolio (net), which represented 41% of the total assets at fiscal year ended December 31, 2016, we identify the existence of risks as those credits are granted, including the completeness, authenticity, and valuation, jointly with the corresponding guarantees of those credits, as well as the correct calculation and determination of interest earned.

We evaluated the controls established by the Institution, both prior and subsequent to granting the credits, which were tested during our review to assure us of the proper normative compliance as of the date of the disposal of the funds, as well as the recognition of accrued interest, in conformity with the payment scheme agreed upon in the different modalities of credits. We further verified their authenticity and correct valuation of the different credits granted by the Institution, and simultaneously identified the guarantees that support the recovery thereof. In addition, we tested the correct application of the loan portfolio rating methodologies, based on the type of credits, including the analysis of the impaired portfolio. The results of our audit tests were satisfactory.

Traditional deposits - Recognition and measurement

Traditional deposits of the Institution at December 31, 2016, which represents 49% of the total liabilities, implies a material risk in the controls that refer to the timeliness of their recognition and subsequent valuation, jointly with the correct determination of interest derived from that deposit, which includes the issue of stock exchange certificates, both in the country and abroad.

Our audit procedures included, among other things, evaluating and testing the recognition policies of liabilities due to the deposit of funds, through deposit certificates, fixed term deposits, loans from domestic and foreign banks, as well as bank bonds, verifying that their entry recorded is based on the contractual value of the obligation, and that accrued interest has been recognized in income for the year. In addition, we carried out valuation tests and presentation of the distinct items that comprise traditional deposits at fiscal year-end. The results of our audit tests were satisfactory.

Payables under repurchase agreements - Recognition and measurement

Payables under repurchase agreements, which represented 43% of the total liabilities of the Institution at December 31, 2016, represented a significant risk with respect to the recognition and valuation at fair value thereof, due to the obligations derived mainly from government securities, which must comply with the controls and recording policies established by the Institution.

We evaluated and tested the controls established by the Institution relative to the recognition of repurchase transactions, by considering the date contracted. We further verified their correct valuation at fair value, as well as the determination and recognition of accrued interest, in accordance with the interest method of those repurchase transactions, with the corresponding allocation to income for the year. In addition, we verified the correct normative compliance with the recognition and measurement by the Institution acts as the buyer and as seller. The results of our audit tests were satisfactory.

Contingent liabilities - Recognition and measurement

At December 31, 2016, contingent liabilities for guarantees granted by the Institution represented 82% of the total of those liabilities, whose risk was represented in the accounting recognition, jointly with their correct presentation and disclosure by the Institution. In addition, the net revenues obtained by credit guarantees were significant, which represented 64% of the net income of the Institution, whose risk was represented in the proper compliance with the operating rules of the Guarantee Program, whereby the Institution shares the credit risk on the financing that financial intermediaries grant to them.

Our audit procedures were designed to verify that the controls established by the Institution for the accounting recognition of contingent liabilities were complied with properly, verifying their appropriate presentation and disclosure in the financial statements of the Institution. In addition, we verified the proper compliance with the operating rules relative to the Guarantee Program of the Institution. We also verified that the accounting recognition of the net revenues obtained by credit guarantees adhere to the provisions of those rules, as well as the accounting policies established by the Institution. Moreover, we verified their appropriate presentation and disclosure in consolidated net income. The results of our audit tests were satisfactory.

Responsibilities of the Management and those responsible for the Institution's governance in relation to 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 Commission, and for the internal control that Management deemed necessary to enable the preparation of consolidated financial statements free of material deviation, due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for evaluating the Institution’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Institution or to cease operations, or has no other realistic alternative.

Those responsible for the Institution's government are responsible for overseeing the Institution's financial reporting process.

Responsibilities of the auditor in relation to the audit of the consolidated financial statements.

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement, due to fraud or error, and issue an audit report that contains our opinion. Reasonable safety is a high level of safety, but it does not guarantee that an audit performed in accordance with ISAs will always detect a material deviation when it exists. Deviations may be due to fraud or error and are considered material if, individually or jointly, they can reasonably be expected to influence the economic decisions that users make based on the consolidated financial statements.

As part of an audit in accordance with ISAs, we apply out professional judgment and we maintain an attitude of professional skepticism throughout the audit. As well:

- We identify and assess the material deviation risks in the consolidated financial statements due to fraud or error, design and apply audit procedures to respond to those risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material deviation due to fraud is higher than in the case of a material misstatement due to error, since fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous manifestations or circumvention of internal control.

- We obtain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances and not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control.

- We evaluate the adequacy of the accounting policies applied and the reasonableness of the accounting estimates and the corresponding information disclosed by the Management.

- We conclude on the appropriateness of Management's use of the operating accounting standard and, with the audit evidence obtained, we conclude on whether or not there is a material deviation related to facts or conditions that may generate significant doubts On the Institution's ability to continue as a functioning company. If we conclude that material uncertainty exists, it is required that we draw attention in our audit report to the corresponding information disclosed in the consolidated financial statements or, if those disclosures are not adequate, express a modified opinion. Our findings are based on audit evidence obtained to date from our audit report. Nevertheless; facts or future conditions may cause the Institution to cease to be a functioning Institution.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosed information, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves reasonable presentation, in conformity with the provisions issued by the Commission.

- We obtain sufficient and appropriate evidence in connection with the financial information of the entities or business activities in the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the group. We remain solely responsible for our audit opinion.

We communicate to the persons in charge of the Institution's governance, among other things, the scope and timing of the audit and the significant findings of the audit, as well as any significant deficiencies in the internal control that we identify in the course of the audit.

We also provide those responsible of the Institution's governance with a statement that we have met the applicable ethics requirements regarding independence and communicated with them about all relationships and other matters that can reasonably be expected to affect our Independence and, where appropriate, the corresponding safeguards.

Among the issues that have been the subject of communication with those responsible for the Institution's governance, we determine those that have been most significant in the audit of the consolidated financial statements of the current period and which are therefore, the key audit issues. We describe those issues in our audit report unless legal or regulatory provisions prohibit public disclosure of the matter or, in extremely rare circumstances, we determine that an issue should not be reported in our report because it can reasonably be expected that the adverse consequences thereof would exceed the benefits of public interest.

Gossler, S. C.

SIGNATURE
Alejandro Torres Hernández
Certified Public Accountant

México City
February 15, 2017

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

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2016 AND 2015
(Amounts in millions of pesos)
(Notes 1 to 3)

ASSETS	2016	2015
Liquid assets (Note 5)	$ 15,698	$ 20,520
Margin accounts	-	20
Investments in securities: (Note 6)		
Trading securities	220,261	161,298
Available-for-sale securities	6,888	5,141
Held-to-maturity securities	12,871	12,924
	240,020	179,363
Receivables under repurchase agreements (Note 7)	20	313
Derivatives: (Note 8)		
Trading purposes	182	178
Valuation adjustment on hedges of financial assets (Note 8)	71	1,314
Performing loan portfolio:		
Commercial credits:		
Business or commercial activity	59,882	38,857
Financial entities	134,329	119,788
Government entities	17,688	10,901
	211,899	169,546
Consumer lending	8	7
Mortgage loans	134	146
Federal government financial agent	94	109
Total performing loan portfolio	212,135	169,808
Nonperforming loan portfolio:		
Commercial credits:		
Business or commercial activity	602	6
Financial entities	1,560	1,870
	2,162	1,876
Consumer lending	4	4
Mortgage loans	12	14
Total nonperforming loan portfolio	2,178	1,894
Loan portfolio (Note 9)	214,313	171,702
Allowance for loan losses (Note 10)	(5,639)	(4,703)
Loan portfolio, net	208,674	166,999
Other receivables, net: (Note 11)	25,897	5,142
Repossessed assets, net (Note 12)	9	17
Property, plant and equipment, net (Note 13)	1,502	1,552
Other investments (Note 14)	39	33
Permanent investments (Note 15)	9,517	7,544
Deferred taxes and PTU, net (Note 22)	775	541
Other assets:		
Deferred charges, prepaid expenses and intangibles	1,137	1,174
Total assets	$ 503,541	$ 384,710

LIABILITIES	2016	2015
Traditional deposits:		
Term deposits: (Note 16)		
Money market	$ 143,470	$ 125,734
Negotiable instruments issued:		
In the country (Note 17)		
Stock certificates	51,367	40,530
Abroad (Note 18)		
Bank bonds	28,622	19,660
Securities Notes	10,352	8,655
	233,811	194,579
Interbank loans and loans for other agencies (Note 19)		
Demand deposits	5,700	-
Short-term	13,339	14,030
Long-term	11,311	9,719
	30,350	23,749
Payables under repurchase agreements (Note 7)	202,689	135,792
Derivatives: (Note 8)		
Trading purposes	51	-
Designated as hedges	9,504	2,323
	9,555	2,323
Valuation adjustment on hedges of financial liabilities (Note 8)	(3,699)	1,108
Other payables: (Note 20)		
Taxes on earnings payable	336	364
Employee profit sharing payable	271	257
Payables on liquidation of trades	88	410
Payables for cash collateral received	1,126	5
Accrued liabilities and other payables	865	687
	2,686	1,723
Deferred credits	40	50
Total liabilities	475,432	359,324
STOCKHOLDERS' EQUITY (Note 23)		
Paid-in capital:		
Capital stock	8,805	8,805
Contribution for future capital increases formalized by the Board of Directors	2,750	1,950
Paid stock premium	8,922	8,922
	20,477	19,677
Capital gains:		
Capital reserves	1,730	1,730
Prior year income	2,720	1,436
Gain on valuation of available-for-sale securities	(178)	(290)
Effects of valuation in associate and affiliate companies	640	289
Net income	1,321	1,284
	6,233	4,449
Non-holding company equity	1,399	1,260
Total stockholders' equity	28,109	25,386
Total liabilities and stockholders' equity	$ 503,541	$ 384,710

Memorandum accounts	2016	2015
Guarantees granted (Note 25)	$ 72	$ 109
Contingent assets and liabilities (Note 25)	$ 53,448	$ 49,738
Credit commitments (Note 25)	$ 135,025	$ 197,020
Assets placed in trust or mandate (Note 26)		
Trusts	$ 1,166,458	$ 1,108,836
Mandates	13,716	2,657
	$ 1,180,174	$ 1,111,493
Federal Government Financial Agent (Note 26)	$ 364,371	$ 291,883
Assets in custody or administration (Note 27)	$ 593,505	$ 552,914
Collateral received by the entity	$ 22,298	$ 36,602
Collateral received and sold or pledged as a guarantee by the entity	$ 22,277	$ 36,289
Investment bank third party trading, net	$ 102,943	$ 99,600
Uncollected accrued interest derived from the non-performing loan portfolio	$ 190	$ 297
Other memorandum accounts (Note 28)	$ 610,807	$ 576,917

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 $2,390.
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 webpage http://www.nafin.com/portalnf/content/sobre-nafinsa/informacion-financiera/informacion.html

SIGNATURE	SIGNATURE	SIGNATURE
Dr. Jacques Rogozinski Schtulman Chief Executive Officer	Dr. Federico Ballí González Associate General Director of Administration and Finance	C. P. Sergio Navarrete Reyes Accounting and Budget Director

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 City

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2016 AND 2015
(Amounts in millions of pesos)
(Notes 1 to 3)

These consolidated financial statements may be consulted on the following webpage http://portafolioinfo.cnbv.gob.mx/Paginas/Contenidos.aspx?ID=37&Titulo=Banca%20de%20Desarrollo

On August 4, 2017, the Internal Audit Director signs these financial statements in compliance with the provisions of Article 204 of the General provisions applicable to Lending Institutions, based with the audit results, reviews and others checking activities carried out to dates mentioned above, which have enabled it to ensure that the financial information is sufficient, reliable and timely

SIGNATURE
C.P. Leticia M. Pérez Gómez
Internal Audit Director

The accompanying notes are part of these consolidated financial statements.

The Internal Audit Director signature in this sheet, belongs to the Consolidated Balance Sheets at December 31, 2016 and 2015

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in millions of pesos)
(Notes 1 to 3)

	2016	2015
Interest income (Note 24)	$ 21,187	$ 14,416
Interest expenses (Note 24)	(16,450)	(10,101)
Financial margin	4,737	4,315
Provision for loan losses	(1,532)	(1,253)
Financial margin adjusted by credit risks	3,205	3,062
Commission and fee income (Note 24)	2,771	2,662
Commission and fee expense (Note 24)	(289)	(298)
Loss on brokerage (Note 24)	(746)	(413)
Other operating income (expenses) (Note 24)	141	18
Administration and promotion expenses	(3,181)	(3,298)
Operating income	1,901	1,733
Equity in losses of unconsolidated subsidiaries and associates	(6)	(11)
Income before taxes on earnings	1,895	1,722
Current income taxes (Note 22)	(824)	(716)
Deferred income taxes, net (Note 22)	279	324
Net income	1,350	1,330
Non-holding company equity	(29)	(46)
Net income including controlling company equity	$ 1,321	$ 1,284

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 webpage http://www.nafin.com/portalnf/content/sobre-nafinsa/informacion-financiera/informacion.html

SIGNATURE
Dr. Jacques Rogozinski Schtulman
Chief Executive Officer

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

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

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 City

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in millions of pesos)
(Notes 1 to 3)

These consolidated financial statements may be consulted on the following webpage http://portafolioinfo.cnbv.gob.mx-/Paginas/Contenidos.aspx?ID=37&Titulo= Banca%20de%20Desarrollo.

On August 4, 2017, the Internal Audit Director signs these financial statements in compliance with the provisions of Article 204 of the General provisions applicable to Lending Institutions, based with the audit results, reviews and others checking activities carried out during the dates mentioned above, which have enabled it to ensure that the financial information is sufficient, reliable and timely

SIGNATURE
C.P. Leticia M. Pérez Gómez
Internal Audit Director

The accompanying notes are part of these consolidated financial statements.

The Internal Audit Director signature in this sheet, belongs to the Consolidated Statements of Income for the years ended December 31, 2016 and 2015.

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in millions of pesos)
(Notes 1 to 3)

	Capital contributions			Capital gains						
	Capital stock	Contributions for future capital stock increases formalized by the Board of Directors	Paid stock premium	Capital reserves	Prior year (losses) income	Gain or loss on valuation of available-for-sale securities	Effects of valuation in associate and affiliate companies	Net income	Non-holding company equity	Total stockholders' equity
Balances at December 31, 2014	$ 8,805	$ 1,950	$ 8,922	$ 1,730	$ (226)	$ (52)	$ 163	$ 1,662	$ 1,142	$ 24,096
Changes inherent to decisions by stockholders -										
Allocation of prior year income	-	-	-	-	1,662	-	-	(1,662)	-	-
	-	-	-	-	1,662	-	-	(1,662)	-	-
Changes inherent to recognition of comprehensive income:										
Net income	-	-	-	-	-	-	-	1,208	-	1,208
Gain or loss on valuation in associated and affiliated companies	-	-	-	-	-	-	126	-	-	126
Gain or loss on valuation of available-for-sale securities	-	-	-	-	-	(238)	-	-	-	(238)
Non-holding company equity	-	-	-	-	-	-	-	46	118	164
Changes inherent to recognition of comprehensive income	-	-	-	-	-	(238)	126	1,254	118	1,260
Balances at December 31, 2015	8,805	1,950	8,922	1,730	1,436	(290)	289	1,254	1,260	25,356
Restatement effect (Note 33)	-	-	-	-	-	-	-	30	-	30
Restated balances at December 31, 2015	8,805	1,950	8,922	1,730	1,436	(290)	289	1,284	1,260	25,386
Changes inherent to decisions by stockholders -										
Allocation of prior year income	-	-	-	-	1,284	-	-	(1,284)	-	-
Contribution for future capital increases	-	800	-	-	-	-	-	-	-	800
	-	800	-	-	1,284	-	-	(1,284)	-	800
Changes inherent to recognition of comprehensive income -										
Net income	-	-	-	-	-	-	-	1,350	-	1,350
Gain or loss on valuation in associated and affiliated companies	-	-	-	-	-	-	351	-	-	351
Gain or loss on valuation of available-for-sale securities	-	-	-	-	-	112	-	-	-	112
Non-holding company equity	-	-	-	-	-	-	-	(29)	139	110
Changes inherent to recognition of comprehensive income	-	-	-	-	-	112	351	1,321	139	1,923
Balances at December 31, 2016	$ 8,805	$ 2,750	$ 8,922	$ 1,730	$ 2,720	$ (178)	$ 640	$ 1,321	$ 1,399	$ 28,109

These consolidated statements of changes in stockholders' equity 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 movements in the stockholders' equity accounts derived from the transactions carried out by the Institution 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 changes in stockholders' equity will be 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 webpage http://www.nafin.com/portalnf/content/sobre-nafinsa/informacion-financiera/informacion.html

SIGNATURE	SIGNATURE	SIGNATURE
Dr. Jacques Rogozinski Schtulman Chief Executive Officer	Dr. Federico Ballí González Associate General Director of Administration and Finance	C.P. Sergio Navarrete Reyes Accounting and Budget Director

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 City

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in millions of pesos)
(Notes 1 to 3)

These consolidated financial statements may be consulted on the following webpage http://portafolioinfo.cnbv.gob.mx/Paginas/Contenidos.aspx?ID=37&Titulo=Banca%20de%20Desarrollo

On August 4, 2017, the Internal Audit Director signs these financial statements in compliance with the provisions of Article 204 of the General provisions applicable to Lending Institutions, based with the audit results, reviews and others checking activities carried out during the dates mentioned above, which have enabled it to ensure that the financial information is sufficient, reliable and timely

SIGNATURE
C.P. Leticia M. Pérez Gómez
Internal Audit Director

The accompanying notes are part of these consolidated financial statements.

The Internal Audit Director signature in this sheet, belongs to the Consolidated Statements of Changes in Stockholders Equity for the years ended December 31, 2016 and 2015.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in millions of pesos)
(Notes 1 to 3)

	2016	2015
Net income	$ 1,321	$ 1,284
Adjustments on items that do not imply cash flow:		
Allowance for uncollectible or doubtful accounts	161	208
Depreciation of property, furniture and equipment	38	35
Provisions	(131)	793
Taxes on earnings due and deferred	545	392
Equity in earnings of unconsolidated subsidiaries and associates	6	11
Others	136	(842)
	755	597
OPERATING ACTIVITIES:		
Change in margin accounts	20	(19)
Change in investments in securities	(58,755)	29,516
Change in receivables under repurchase agreements (repos)	293	4,259
Change in derivatives (asset)	7,842	50,269
Change in loan portfolio (net)	(34,079)	(16,795)
Change in repossessed assets	5	1
Change in other operating assets	(20,774)	(2,117)
Change in traditional deposits	28,759	23,173
Change in interbank loans and loans for other agencies	3,793	7,891
Change in payables under repurchase agreements	66,596	(45,692)
Change in derivatives (liability)	(2,233)	(44,316)
Change in other operating liabilities	(166)	(4,680)
Payment of taxes on earnings	(953)	(935)
Net cash flows from operating activities	(9,652)	555
INVESTING ACTIVITIES:		
Collection of disposition of property, furniture and equipment	13	-
Payment on acquisition of property, furniture and equipment	(1)	(18)
Collections on disposition of subsidiaries and associates	114	15
Payments on acquisition of subsidiaries and associates	(1,337)	(945)
Collections of cash dividends	4	2
Net cash flows from investing activities	(1,207)	(946)
FINANCING ACTIVITIES:		
Contributions for future capital increases	800	-
Net cash flows from financing activities	800	-
Net (decrease) increase in cash and cash equivalents	(7,983)	1,490
Effects of changes in the value of cash and cash equivalents	3,161	925
Cash and cash equivalents at beginning of period	20,520	18,105
Cash and cash equivalents at end of period	$ 15,698	$ 20,520

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 webpage http://www.nafin.com/portalnf/content/sobre-nafinsa/informacion-financiera/informacion.html

SIGNATURE	SIGNATURE	SIGNATURE
Dr. Jacques Rogozinski Schtulman	Dr. Federico Ballí González	C.P. Sergio Navarrete Reyes
Chief Executive Officer	Associate General Director of Administration and Finance	Accounting and Budget Director

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 City

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in millions of pesos)
(Notes 1 to 3)

These consolidated financial statements may be consulted on the following webpage http://portafolioinfo.cnbv.gob.mx-/Paginas/Contenidos.aspx?ID=37&Titulo= Banca%20de%20Desarrollo.

On August 4, 2017, the Internal Audit Director signs these financial statements in compliance with the provisions of Article 204 of the General provisions applicable to Lending Institutions, based with the audit results, reviews and others checking activities carried out during the dates mentioned above, which have enabled it to ensure that the financial information is sufficient, reliable and timely

SIGNATURE
C.P. Leticia M. Pérez Gómez
Internal Audit Director

The accompanying notes are part of these consolidated financial statements.

The Internal Audit Director signature in this sheet, belongs to the Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2016 AND 2015
(Amounts in millions of pesos, except where indicated)

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 the Mexican Banking System, in order for this System to channel 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 Mexico, 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 realizes 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 loans 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, 2016 and 2015, 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	
	2016	**2015**
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.	78.21	76.27
Trusts:		
Sales program of securities directly to the public	100	100

	% of equity participation shares	
	2016	2015
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, 2016 and 2015 amounts to $983 and $847, 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.

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 apply suppletorily when, in the absence thereof, Financial Reporting Standards (FRS) issued by the Mexican Board of Financial Reporting Standards (CINIF) are observed.

Accounting changes.

Beginning January 1, 2016, the Institution adopted the following FRS and Improvements to FRS issued by the CINIF, which became effective as of the above date. These FRS and Improvements to FRS did not have a significant application in the consolidated financial information presented by the Institution, which are discussed below:

FRS D-3 "Employee benefits" - FRS D-3 is effective for years beginning on or after January 1, 2016 with retrospective effects and early adoption is allowed as of January 1, 2015. FRS D-3 supersedes the provisions in FRS D-3.

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

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

- Plan assets Ceiling (PA) – Identifies a plan asset ceiling and specifies which entity contributed funds 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 2016 FRS:

The following improvements were effective beginning January 1, 2016, with The modifications that bring about accounting changes are listed below:

FRS C-1, Cash and cash equivalents, and FRS B-2, Statement of cash flows:

These 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 that 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 hedging transactions:

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.

a) It explains how to designate a primary position.

b) Accounting recognitions of the transaction costs of a derivative financial instrument is modified 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.

c) Specifies about the recognition of embedded derivative financial instruments.

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, 2016 and 2015 is 9.65% and 10.06%, respectively; therefore, the economic environment qualifies as non-inflationary in both fiscal years. The percentages of inflation for the years ended December 31, 2016 and 2015 were 3.37% and 2.10%, respectively. The financial statements recognize the impact of inflation up to December 31, 2007.

2. ***Liquid assets -*** These assets are valued at their nominal valued 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 valor. 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 Banco de 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 realized 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 those debt securities and net equity instruments, whose intent is intended to obtain 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. Toward that end, the 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. By the same token, 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 hedging 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 Mexico.

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. 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 realized in the portfolio with nonperformance of 30 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 Mexico 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.

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.

Repossessed assets 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 repossessed assets 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 repossessed assets are sold, the difference between the selling price and carrying value of the repossessed asset, net of estimates, should be recognized in the income for the year as other operating income (expenses).

15. ***Taxes on earnings -*** Income tax is recorded in income for the year in which it is current and payable. Deferred 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 form 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:

Indemnities-

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. Toward that end, 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, 2016 and 2015, Employee Profit Sharing amounted to $271 and $257, 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.

Interest relative to borrowing operations re 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, 2016 and 2015, the Institution's long-lived assets do not present any impairment indicators.

NOTE 4. FOREIGN CURRENCY POSITION

At December 31, 2016 and 2015, the foreign currency position valued in local currency is summarized as follows:

	2016	2015
Assets	$ 127,575	$ 66,460
Liabilities	(127,620)	(67,226)
(Short) long position	$ (45)	$ (766)

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

	2016			2015
	Assets	Liabilities	Net	Net
US dollars	6,157	6,163	(6)	(48)
Japanese yen	1	-	1	5
Euros	25	24	1	1
Pounds sterling	2	-	2	2
Special draft fee	1	1	-	-

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

	2016			2015
	Assets	Liabilities	Net	Net
US dollars	$ 126,947	$ 127,057	$ (110)	$ (826)
Japanese yen	-	-	-	1
Euros	544	529	15	8
Pounds sterling	57	7	50	51
Special draft fees	27	27	-	-
	$ 127,575	$ 127,620	$ (45)	$ (766)

At December 31, 2016 and 2015, the value of the US dollar is equivalent to 20.6194 and 17.2487 Mexican pesos per US dollar, in conformity with the exchange rate published by 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 20.3254 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, 2016 and 2015, the item of liquid assets is summarized as follows:

	2016	2015
Deposits in the Banco de México	$ 13,079	$ 13,075
Deposits in domestic and foreign banks	13,242	6,178
Foreign currencies to deliver	(19,743)	(5,951)
Foreign currencies to receive	6,318	6,279
Call Money Deposits	2,800	934
Other liquid assets	1	4
Liquid assets in subsidiaries	1	1
	$ 15,698	$ 20,520

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, 2016, the Institution maintained Call Money deposits at a term less than or equal to three bank business days for $2,800, of which $73 were contracted at an average rate of 5.75% in local currency, as well as $2,727 at an average rate of 0.68% in foreign currency.

At December 31, 2015, the Institution maintained Call Money deposits at a term less than or equal to three bank business days for $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.

Liquid assets in foreign currency at December 31, 2016 and 2015 are summarized as follows:

	Amount in millions of foreign currency	Exchange rate	Equivalence in local currency
2016			
US dollars	43	20.61940	$ 879
Japanese yen	1	0.176810	-
Euros	3	21.75347	67
Pounds sterling	2	25.48145	47
			$ 993
2015			
US dollars	387	17.24870	$ 6,675
Japanese yen	4	0.14346	1
Euros	2	18.74934	30
Pounds sterling	2	25.43666	48
			$ 6,754

NOTE 6. INVESTMENTS IN SECURITIES

As of December 31, 2016 and 2015, this item is summarized as shown below:

Trading securities:

	2016				2015
Instrument	**Cost of acquisition**	**Accrued interest**	**Valuation**	**Carrying value**	**Carrying value**
Shares of the Development Fund for the Securities Market (DFSM)	$ 109	$ -	$ (55)	$ 54	$ 96
Bonds	12,818	5	13	12,836	10,429
Securities exchange certificate	8,554	17	(10)	8,561	5,396
CETES	2,247	-	(2)	2,245	6
Ipabonos	2,862	32	16	2,910	14,200
Promissory notes with liquid yield at maturity	204	-	-	204	725
Restricted financial instruments:					
Bonds	88,239	24	-	88,263	33,329
Securities exchange certificate	14,223	3	(29)	14,197	10,078
CETES	230	-	-	230	-
Ipabonos	89,099	27	82	89,208	83,637
Promissory notes with liquid yield at maturity	1,500	-	1	1,501	3,375
Financial instruments placed in guarantee:					
Ipabonos	34	-	-	34	27
Investments in subsidiaries	18	-	-	18	-
	$ 220,137	$ 108	$ 16	$ 220,261	$ 161,298

The terms at which these investments are agreed upon at December 31, 2016 and 2015 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
2 0 1 6					
Shares of the Development Fund for the Securities Market (DFSM)	$ -	$ -	$ -	$ 109	$ 109
Bonds	9,389	-	3,429	-	12,818
Securities exchange certificate	3,211	-	5,343	-	8,554
CETES	2,236	4	7	-	2,247
Ipabonos	101	-	2,761	-	2,862
Promissory notes with liquid yield at maturity	204	-	-	-	204
Restricted financial instruments:	-	-	88,239	-	88,239
Bonds	-	-	-	-	-
Securities exchange certificate	14,223	-	-	-	14,223
CETES	230	-	-	-	230
Ipabonos	-	-	89,099	-	89,099
Promissory notes with liquid yield at maturity	1,500	-	-	-	1,500
Financial instruments placed in guarantee:					
Ipabonos	-	-	34	-	34
Investments in subsidiaries	18	-	-	-	18
	$ 31,112	$ 4	$ 188,912	$ 109	$ 220,137
2 0 1 5					
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
Ipabonos	9,300	-	4,821	-	14,121
Promissory notes with liquid yield at maturity	725	-	-	-	725
Restricted financial instruments					
Bonds	33,538	-	-	-	33,538
Securities exchange certificate	10,068	-	-	-	10,068
Ipabonos	83,662	29	-	-	83,691
Promissory notes with liquid yield at maturity	3,375	-	-	-	3,375
Financial instruments placed in guarantee					
Ipabonos	27	-	-	-	27
	$ 146,926	$ 29	$ 14,402	$ 148	$ 161,505

Available-for-sale securities:

At December 31, 2016 and 2015, liquid assets for sale are summarized in accordance with the following:

	2016				2015
Instrument	Cost of acquisition	Accrued interest	Valuation	Carrying value	Carrying value
Sovereign debt	$ 3,172	$ 63	$ (89)	$ 3,146	$ 2,064
Bonds issued by a Lending Institution	204	50	(2)	252	168
Debentures and other securities	3,548	-	(58)	3,490	2,909
	$ 6,924	$ 113	$ (149)	$ 6,888	$ 5,141

The terms at which these investments are agreed upon at December 31, 2016 and 2015 at their cost of acquisition are as follows:

Instrument	More than one year	
	2016	2015
Sovereign debt	$ 3,172	$ 2,037
Bonds issued by a Lending Institution	204	171
Debentures and other securities	3,548	3,018
	$ 6,924	$ 5,226

Held-to-maturity securities

As of December 31, 2016 and 2015, medium and long-term debt securities are divided as follows:

	2016			2015
Instrument	Cost of acquisition	Accrued interest	Carrying value	Carrying value
Prides convertible bonds	$ 5	$ -	$ 5	$ 4
Securities exchange certificate	268	70	338	126
Segregable securities exchange certificate	1,167	387	1,554	5,635
Sovereign debt	183	4	187	561
Debentures and other securities	1,143	17	1,160	1,081
Udibonos	51	16	67	209

Instrument	2016 Cost of acquisition	2016 Accrued interest	2016 Carrying value	2015 Carrying value
Restricted financial instruments:				
Segregable securities exchange certificate	7,175	2,385	9,560	5,308
Total	$ 9,992	$ 2,879	$ 12,871	$ 12,924

The terms at which these investments are agreed upon at December 31, 2016 and 2015 at their cost of acquisition are as follows:

Instrument	Less than one year	More than one year	No fixed term	Total
2016				
Prides convertible bonds	$ -	$ 5	$ -	$ 5
Securities exchange certificate	268	-	-	268
Segregable securities exchange certificate	-	1,167	-	1,167
Sovereign debt	-	183	-	183
Debentures and other securities	87	1,056	-	1,143
Udibonos	-	51	-	51
Restricted financial instruments:				
Segregable securities exchange certificate	-	7,175	-	7,175
Total	$ 355	$ 9,637	$ -	$ 9,992

For the period extending from January 1 up to December 31, 2016, interest income on investments in securities amounted to $1,725. The gain on valuation amounted to $186, and the gain or loss on securities trading amounted to $541.

Instrument	Less than one year	More than one year	No fixed term	Total
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
Restricted financial instruments:				
Segregable securities exchange certificate	4,109	-	-	4,109
Total	$ 4,223	$ 6,119	$ 4	$ 10,346

For the period extending from January 1 up to December 31, 2015, interest income on investments in securities amounted to $1,015. The gain on valuation amounted to $314, and the gain or loss on securities trading amounted to $111.

As of December 31, 2016 and 2015, there have been no reclassifications of securities held to maturity securities available for sale, or securities held to trade available for sale.

NOTE 7. REPURCHASE TRANSACTIONS

At December 31, 2016 and 2015, repurchase transactions (repos) are summarized as follows:

Instrument	Received in guarantee	Collateral received and sold or furnished as a guarantee	Difference
2 0 1 6			
Governmental securities:			
CETES	$ 20	$ -	$ 20
Ipabonos	5,934	5,934	-
Federal Government Development Bonds (Bondes)	16,331	16,331	-
Fixed rate bonds	12	12	-
	$ 22,297	$ 22,277	$ 20
2 0 1 5			
Governmental securities			
Udibonos	$ 63	$ -	$ 63
Ipabonos	3,941	3,941	-
Federal Government Development Bonds (Bondes)	27,994	27,744	250
Fixed rate bonds	4,556	4,556	-
	$ 36,554	$ 36,241	$ 313

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

	2 0 1 6	2 0 1 5
Governmental securities:		
Bonds	$ 88,262	$ 33,541
Segregable securities exchange certificate	9,344	5,096
CETES	230	-
Ipabonos	89,127	83,709
	186,963	122,346
Bank securities:		
Securities exchange certificate	14,226	10,070
Promissory notes with liquid yield at maturity	1,500	3,376
	15,726	13,446
	$ 202,689	$ 135,792

For the year extending from January 1 up to December 31, 2016, the gain or loss on interest income and expense on repurchase transactions amounts to $10,097 and $9,057, respectively, and income amounting to $7,880 and expenses amounting to $6,328 in 2015.

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

NOTE 8. DERIVATIVES

At December 31, 2016 and 2015, the Institution maintains balances in derivative instruments trading as described below:

	Lending balance	Borrowing balance	Debit balance	Credit balance
2 0 1 6				
For trading purposes:				
Futures	$ 2	$ 2	$ -	$ -
Valuation	-	-	-	-
	2	2	-	-
For trading purposes:				
Forward contracts	$ 64,023	$ 64,069	$ (46)	$ -
Valuation	(35)	(263)	228	-
	63,988	63,806	182	-
Swaps	54,460	54,511	-	51
Total	$ 118,450	$ 118,319	$ 182	$ 51
For hedging purposes:				
Swaps	$ 33,728	$ 43,232	$ -	$ 9,504
2 0 1 5				
For trading purposes:				
Futures	$ 468	$ 468	$ -	$ -
Valuation	-	(1)	1	-
	468	467	1	-
For trading purposes:				
Forward contracts	$ 15,093	$ 14,939	$ 154	$ -
Valuation	(2)	(16)	14	-
	15,091	14,923	168	-
Swaps	53,430	53,421	9	-
Total	$ 68,989	$ 68,811	$ 178	$ -
For hedging purposes:				
Swaps	$ 26,786	$ 29,109	$ -	$ 2,323

Future and forward contracts (Forward):

For trading purposes

		2016		2015
Sales:				
Contract value	$	64,071	$	15,407
Receivable	$	63,808	$	15,390
Purchases:				
Contract value	$	64,025	$	15,561
Deliverable	$	63,990	$	15,559
Book balance	$	228	$	15

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 Mexico.

In the case of dollar-peso forwards, the master contract does not stipulate maintaining guarantees for over the counter trades or in other means other 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.

Exchange rate and interest rate futures and forwards trading that are traded at the main office in Mexico 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 Mexico and reported by the independent pricing service, as well as similar rates in the United States of America.

The Institution realizes 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).

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.

Swaps:

For trading purposes:

	Contract value	Receivable	Deliverable	Net position
2016				
Interest rates	$ 133,392	$ 54,460	$ 54,511	$ (51)
2015				
Interest rates	$ 141,530	$ 53,430	$ 53,421	$ 9

For hedging purposes:

	Contract value	Receivable	Deliverable	Net position
2016	$ 81,016	$ 33,728	$ 43,232	$ (9,504)
2015	$ 68,810	$ 26,786	$ 29,109	$ (2,323)

At December 31, 2016 and 2015, hedge effectiveness/ineffectiveness derived from the application of Criterion B-5 "Derivatives and Hedging Transactions" of the Commission is described in detail below:

Fair value hedge swaps (applicable to income):

	2016	2015
Valuation of:		
Securities exchange certificate	$ (48)	$ (35)
Certificates of deposit	6	7
Total	$ (42)	$ (28)

At December 31, 2016 and 2015, the Institution has only contracted swaps designated as fair value hedges.

Trading swaps (application to income):

	2016	2015
Interest rates	$ (51)	$ 9

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, 2016 and 2015 are described in detail below:

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Securities exchange certificate	$ (5,291)	$ (8,256)	$ (490)	$ (435)
Promissory notes	(55)	(60)	7	7
Loan	5,417	4,617	1,797	1,536
Total	$ 71	$ (3,699)	$ 1,314	$ 1,108

Management of the policies of the use of derivative financial instruments

The Institution's policies permit the use of derivative products for hedging and/or trading purposes. The main objective of trading these products is the hedging of risks and generation of revenues that support the Institution's profitability.

Setting objectives and policies related to trading these instruments is in the Risk Management regulatory and operating manuals.

The instruments used by the Institution are interest and exchange rate swaps, IPC futures and exchange rates, and foreign exchange forwards, which, in accordance with the portfolios, can support hedging and trading strategies.

The markets on which derivative products are traded are the OTC (over-the-counter) markets and stock markets. Eligible counterparties are domestic and foreign banks, whereas stock exchange firms are clearing houses.

Authorization processes and levels

Control processes, policies, and authorization levels of derivatives trading are set forth in the CAIR, whose duties include the approval of:

1. The specific limits for discretionary risks when powers have been delegated by the Board of Directors therefor, as well as the levels of tolerance in the case of non-discretionary risks.

2. The methodology and procedures for identifying, measuring, overseeing, limiting, controlling, reporting, and disclosing the distinct types of risk that the Institution is exposed to as well as their eventual modifications.

3. The models, parameters and scenarios that must be used to value, measure, and control the risks proposed by the unit for Comprehensive Risk Management, must concur with the institution's technology.

4. The methodologies for identifying, valuing, measuring, and controlling the risks of the new operations, products, and services that the Institution plans to offer to the market.

5. The corrective actions proposed by the unit for Comprehensive Risk Management.

6. The evaluation of the aspects of Comprehensive Risk management referred to in Article 77 of the Provisions for its presentation to the Board of Directors and the Commission.

7. The Comprehensive Risk Management manuals, in accordance with the objectives, guidelines, and policies established by the Board of Directors, referred to in the last paragraph of Article 78 of the Provisions.

All the new products or services traded in reliance on any line of business are approved by the Committee, in accordance with the powers granted by the Board of Directors.

Independent reviews

The Institution is under the supervision and oversight of the Commission and the Banco of México, which are exercised through follow-up processes, inspection visits, information and documentation requirements, and delivery of reports. Moreover, reviews are performed periodically by the internal and external auditors.

Generic description of valuation techniques

Derivative financial instruments are valued in conformity with the accounting regulations set forth in the Provisions issued by the Commission, due particularly to the standard contained in Criterion B-5.

Valuation methodology

1. For purposes of trades and hedges - there is a structure of operating and regulatory manuals that set forth the valuation methodologies used.

2. Reference variables. Those parameters are used that are utilized by convention within the market practices (rates, exchange rates, prices, volatilities, etc.).

3. Frequency of valuation - Trading position instruments are valued every day.

Administration of internal and external sources of liquidity that might be used to meet requirements related to derivative financial instruments

Resources obtained through the National Treasury, as well as the international Treasury (London Branch).

Changes identified in risk exposure, contingencies, and known or expected events in derivative financial instruments.

Stress tests and backtesting are realized periodically to estimate the impact on the positions of derivative instruments and satisfactorily validate that the market risk measurement models provide results, in accordance with the exposure to market variability, which must be maintained within the parameters authorized by the CAIR.

The methodology currently used for preparing the stress measurement report consists of calculating the current portfolio value, and be able to make changes in the risk factors that occurred in the:

- Tequila Effect (1994)
- Russian Crisis (1998)
- Twin Towers (2001)
- BMV Effect (2002)
- Effect on Real Interest Rate (2004)
- Mortgage Crisis Effect (2008)

Backtests are based on the following information generated daily:

1. Valuation of the investment portfolio of the day t

2. The VaR of the investment portfolio with a 1 day time horizon and with a level of confidence of 97.5% (VaR).

3. The valuation of the portfolio with the new risk factors of the day t+1

During 2016, the number of derivative financial instruments agreed upon was as follows:

		Number of Operations		Notional	
Instrument		**Trade**	**Hedge**	**Trade**	**Hedge**
Futures	(1)	3,378		121,598	
Forwards (Arbitrations)	(2)	378		46,036	
Swaps	(3)	87	124	17,742	28,678

(1) Number of trades is equal to the buy trades less sales trades. Notional refers to the number of contracts: 62,488 purchase and 59,110 sales.

(2) Purchase transactions. Notional in millions of US dollars

(3) Notional amount traded during the year.

Formal documentation of hedges

In order to comply with the applicable regulations with respect to derivatives and hedging transactions (Criterion B-5 issued by the Commission), the Institution has a hedge file that includes the following information:

1. File cover.
2. Authorization of the hedge.
3. Diagram of the strategy.
4. Evidence of prospective tests of hedge effectiveness.
5. Evidence of execution of the derivative.
6. Details of the primary position being hedged.
7. Confirmation of the derivative.

Sensitivity analysis

A sensitivity analysis is realized through distinct measures every day, such as:

1. **Duration**.- There are primarily two types of duration with different meanings:

   a) Macaulay Duration: It is the weighted average maturity of the current cash flow values where weighting ratios are the time in years up to the payment of the corresponding flow.

   b) Modified Duration: It is the variation by percentage experienced by the price of a small bond before small variations in the market interest rate.

2. **Convexity**.- It is the variation experienced by the slope of a curve with respect to a dependent variable or what is the same, it measures the variation experienced, as well as the duration before changes in rates.

3. **Greeks**.- Sensitivity measurements for options, except for interest rate options:

   a) Delta: Price sensitivity of options at the price of the underlying securities of the option.

   b) Theta: Price sensitivity of options to the variable time.

   c) Gamma: Third degree price sensitivity of the option to the underlying securities of the option.

   d) Vega: Price sensitivity of the option to the volatility used for its valuation.

   e) Rho: Price sensitivity of the option to changes in the interest rate.

4. **Beta**.- It is the measurement of the systematic risk of a share.

This analysis is reported to the instances that define the operating strategy of derivatives on financial markets and operators therein, in order for it to govern its criterion in taking the risk with these instruments.

NOTE 9. LOAN PORTFOLIO

As of December 31, 2016 and 2015, the portfolio by type of loan is summarized as shown below:

	2016	2015
Performing portfolio:		
Business or commercial activity credits	$ 59,882	$ 38,857
Loans to financial entities	134,329	119,788
Loans to government entities	17,688	10,901
Consumer lending	8	7
Mortgage loans	134	146
Federal Government financial agent	94	109
	212,135	169,808
Nonperforming portfolio:		
Business or commercial activity credits	602	6
Loans to financial entities	1,560	1,870
Consumer lending	4	4
Mortgage loans	12	14
	2,178	1,894
Total	$ 214,313	$ 171,702

The nonperforming portfolio presents an increase amounting to $284, caused mainly by the book transfer derived from Metalwork & Stamping, S.A. de C.V.

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

	2016		2015	
	Performing	**Nonperforming**	**Performing**	**Nonperforming**
Local Currency	$ 161,635	$ 1,575	$ 134,386	$ 1,894
Foreign Currency	50,500	603	35,422	-
Total	$ 212,135	$ 2,178	$ 169,808	$ 1,894

Credits granted as a Financial Agent apply to financing granted to Federal Government entities with resources obtained from international agencies for that specific purpose. 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.

At December 31, 2016, the Institution does not report credit indebtedness subject to Support Programs promoted by the Federal Government.

The balance of the nonperforming portfolio at December 31, 2016 and 2015 in a total amount of $2,178 and $1,894, respectively, since the date on which it was classified as nonperforming, is described in detail below:

	Capital and interest	Amounts	Terms
2 0 1 6			
Business or commercial activity credits	$ 602	$ 602	More than 2 years
Loans to financial entities	1,560	1,560	More than 2 years
Consumer lending	4	1	1 to 180 days
Consumer lending	-	1	181 to 365 days
Consumer lending	-	2	More than 2 years
Mortgage loans	12	2	1 to 180 days
Mortgage loans	-	10	More than 2 years
	$ 2,178	$ 2,178	
2 0 1 5			
Business or commercial activity credits	$ 6	$ 6	More than 2 years
Loans to financial entities	1,870	1,870	More than 2 years
Consumer lending	4	1	1 to 180 days
Consumer lending	-	3	More than 2 years
Mortgage loans	14	2	1 to 180 days
Mortgage loans	-	12	More than 2 years
	$ 1,894	$ 1,894	

Nonperforming portfolio movements are presented below:

	2 0 1 6	2 0 1 5
Balances at January 1	$ 1,894	$ 1,892
Payments	(337)	-
Reclassification to nonperforming portfolio	621	2
Total	$ 2,178	$ 1,894

At December 31, 2016 and 2015, the balance of the nonperforming portfolio consists of 69 former employees, and 16 companies, which are in legal or out-of-court proceedings.

Loan portfolio interest and fees at December 31, 2016 and 2015 are summarized as itemized below:

	Interest	Fees on credit granted	Total
2 0 1 6			
Business or commercial activity credits	$ 2,114	$ 39	$ 2,153
Loans to financial entities	6,014	55	6,069

	Interest	Fees on credit granted	Total
Loans to government entities	716	-	716
Mortgage loans	2	-	2
Federal Government financial agent	3	-	3
	$ 8,849	$ 94	$ 8,943
2 0 1 5			
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
	$ 6,126	$ 94	$ 6,220

The effect derived from the suspension of the accrual of interest of the nonperforming portfolio represented a decrease amounting to $107 compared to 2015, 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.

At December 31, 2016 and 2015, restructured loans are summarized as follows:

	Performing	Nonperforming	Total
2 0 1 6			
Business or commercial activity credits	$ 47	$ -	$ 47
Financial entities	280	-	280
	$ 327	$ -	$ 327
2 0 1 5			
Business or commercial activity credits	$ 47	$ 1	$ 48
Financial entities	360	254	614
Housing	-	1	1
	$ 407	$ 256	$ 663

At December 31, 2016 and 2015, restructured interest income amounts to $18 in both years.

At December 31, 2016 and 2015, the percentage of concentration of the portfolio by sector is as follows:

	Percentage (%)	
	2016	**2015**
Federal Government	0.06	0.09
Decentralized agencies and state-owned enterprises	4.07	2.94
State productive enterprises	3.04	2.62
Development banking	-	0.06
Commercial banks	24.90	33.86
Other public financial brokers	1.13	0.76
Other private financial brokers	41.10	36.66
Domestic companies	25.42	22.64
Private parties	0.07	0.10
Foreign financial entities	0.21	0.27
Total	100.00	100.00

In accordance with Criterion B-6 "Loan Portfolio" of the Provisions, all those commercial credits are understood as impaired portfolio. 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.

At December 31, 2016 and 2015, the following has been recognized as impaired commercial portfolio:

	Degree of risk			Legal
	D	**E**	**Total**	**created**
2016				
Performing	$ 47	$ -	$ 47	$ 21
Nonperforming	-	2,163	2,163	1,496
Total	$ 47	$ 2,163	$ 2,210	$ 1,517
2015				
Performing	$ 47	$ -	$ 47	$ 21
Nonperforming	-	1,711	1,711	1,373
Total	$ 47	$ 1,711	$ 1,758	$ 1,394

NOTE 10. ALLOWANCE FOR LOAN LOSSES

In accordance with the Rules for Rating the Loan Portfolio for Development Banking Institutions, the loan portfolio under the responsibility of the Federal Government and taking a discount from development banking institutions is not subject to the creation of allowances, since these entities assume the credit risk. The balance of the loan portfolio and that of contingent operations subject to a rating are controlled in memorandum accounts and evaluated based on the methodologies established by the Commission. The allowances for loan losses recorded at December 31, 2016 and 2015 is summarized as follows:

Risk	Amount of liabilities	Estimate of the provision
2016		
A-1	$ 189,045	$ 1,110
A-2	54,211	602
B-1	19,018	333
B-2	8,194	180
B-3	4,796	174
C-1	238	14
C-2	19	2
D	115	42
E	2,192	1,517
Rated portfolio	277,828	3,974
Exempted portfolio:		
Federal Government	94	-
Additional estimates	-	865
Estimate for assignment of lines	-	800
	$ 277,922	$ 5,639
2015		
A-1	$ 128,952	$ 682
A-2	71,573	823
B-1	23,444	436
B-2	2,104	48
B-3	2,681	97
C-1	589	35
C-2	73	9
D	96	32
E	1,731	1,388
Rated portfolio	231,243	3,550
Exempted portfolio:		
Federal Government	109	-
Additional estimates	-	753
Estimate for assignment of lines	-	400
	$ 231,352	$ 4,703

Percentage of Allowances for Loan Losses

Degree of risk	Consumer: Non-revolving	Consumer: Credit card and other revolving credits	Mortgage and housing	Commercial
A - 1	0 to 2.0	0 to 3.0	0 to 0.50	0 to 0.9
A - 2	2.01 to 3.0	3.01 to 5.0	0.501 to 0.75	0.901 to 1.5
B - 1	3.01 to 4.0	5.01 to 6.5	0.751 to 1.0	1.501 to 2.0
B - 2	4.01 to 5.0	6.51 to 8.0	1.01 to 1.50	2.01 to 2.50
B - 3	5.01 to 6.0	8.01 to 10.0	1.501 to 2.0	2.501 to 5.0
C - 1	6.01 to 8.0	10.01 to 15.0	2.01 to 5.0	5.001 to 10.0
C - 2	8.01 to 15.0	15.01 to 35.0	5.001 to 10.0	10.001 to 15.5
D	15.01 to 35.0	35.01 to 75.0	10.001 to 40.0	15.501 to 45.0
E	35.01 to 100.0	Higher than 75.01	40.001 to 100.0	Higher than 45.0

At December 31, 2016 and 2015, the amount of $339 was reduced from the commercial portfolio rated with an E risk rating, for which the corresponding allowance for loan losses was not created since collateral has received in cash at the Institution. In the accounting records, it is presented as a credit portfolio in the respective degree of risk, in both years.

At December 31, 2016 and 2015, the preventive estimate for credit risks amounts to $54, 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:

	2016	2015
Specific estimates:		
Loan portfolio:		
Business or commercial activity credits	$ 796	$ 370
Loans to financial entities	2,666	2,768
Loans to government entities	89	59
Consumer lending	4	5
Mortgage loans	9	11
	3,564	3,213
Contingent portfolio:		
Guarantees by endorsement executed	36	32
Guarantees furnished	374	305
Additional estimates	865	753
Estimate for assignment of lines	800	400
Total	$ 5,639	$ 4,703

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

		2016		2015
Balances at January 1	$	4,703	$	3,955
Increases:				
Discounts on recovery of debts		-		-
Creation of reserves for credit risks		1,532		1,253
Slippage of the foreign currency reserve		131		44
		1,663		1,297
Applications:				
Discounts on recovery of debts		2		2
Reversal of surplus reserves		146		547
Write-off of credit debts		579		-
Total	$	5,639	$	4,703

NOTE 11. OTHER RECEIVABLES, NET

At December 31, 2016 and 2015, other receivables are shown as follows:

		2016		2015
Loans to Institution personnel	$	2,489	$	2,379
Clearing accounts		13,424		179
Other receivables		62		32
Receivables for fees on current trading activities		93		76
Other receivables from subsidiaries		258		189
Payments receivable on swap trades		9,618		2,315
Estimates for write-offs of other receivables		(47)		(28)
Total	$	25,897	$	5,142

NOTE 12. REPOSSESSED ASSETS, NET

At December 31, 2016 and 2015, repossessed assets are summarized as follows:

		2016		2015
Real property	$	31	$	26
Securities		32		42
		63		68
Allowances (provisions) for write-offs		(54)		(51)
Total	$	9	$	17

Write-offs relative to repossessed assets recorded in income at December 31, 2016 and 2015 amount to $3 and $7, 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, 2016 and 2015, property, plant and equipment are summarized as follows:

	2016			2015
		Investment		
Item	Historical	Restatement	Total	Total
Building	$ 300	$ 1,941	$ 2,241	$ 2,269
Furniture and equipment	147	96	243	234
Computer equipment	21	9	30	27
Land	9	-	9	13
Subtotal	477	2,046	2,523	2,543
Accumulated depreciation	(233)	(788)	(1,021)	(991)
Total	$ 244	$ 1,258	$ 1,502	$ 1,552

Useful lives during which the main assets are depreciated are shown below:

Item	Useful life
Building	53 to 70 years
Furniture and equipment	10 years
Computer equipment	3 to 4 years

Depreciation expensed in 2016 and 2015 amounted to $38 and $35, respectively.

NOTE 14. OTHER INVESTMENTS

At December 31, 2016 and 2015, other permanent investments are summarized as shown below:

	2016	2015
Technical Assistance S&ME Financing Programs Trust	$ 16	$ 9
México Design Center Sponsorship Trust	15	17
Venture Capital Trust	4	3
Trust placed on Intermediate Securities Market	3	3
Eurocentro Nafin-México Trust	1	1
Total	$ 39	$ 33

NOTE 15. PERMANENT INVESTMENTS

At December 31, 2016 and 2015, stock in permanent investments is summarized as shown below:

	2016	2015
Corporación Andina de Fomento	$ 2,692	$ 2,289
Shares of other companies	133	33
	2,825	2,322
Investment of subsidiary companies:	6,692	5,222
Total	$ 9,517	$ 7,544

NOTE 16. TERM DEPOSITS

At December 31, 2016 and 2015, the terms to maturity of these securities are as follows:

	2016	2015
Less than one year	$ 143,075	$ 118,335
Five years	153	7,152
	143,228	125,487
Unpaid accrued interest	242	247
	$ 143,470	$ 125,734

NOTE 17. NEGOTIABLE INSTRUMENTS ISSUED IN THE COUNTRY

The balance of this item consists of stock certificates (CEBURES) as follows:

Inception	Expiration	Securities (millions)	Face value (pesos)	% Rate	2016	2015
CEBURES Payable at Indeval:						
11/22/2013	11/18/2016	20	100	3.27	$ -	$ 2,000
03/14/2014	11/18/2016	12.5	100	3.27	-	1,250
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	2,000
11/22/2013	03/08/2024	30	100	6.55	3,000	3,000
03/14/2014	03/08/2024	47.5	100	6.55	4,750	4,750
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

Inception	Expiration	Securities (millions)	Face value (pesos)	% Rate		2016		2015
09/26/2014	06/02/2017	17.5	100	3.24		1,750		1,750
09/26/2014	03/08/2024	32.5	100	6.55		3,250		3,250
04/17/2015	03/07/2025	60	100	6.15		6,000		6,000
04/17/2015	04/13/2018	10	100	3.23		1,000		1,000
08/24/2015	04/13/2018	30	100	3.48		3,000		3,000
08/24/2015	03/07/2025	40	100	6.15		4,000		4,000
Premium or discount on placement						(35)		(39)
Accrued interest payable						571		569
						37,286		40,530
CEBURES payable at Euroclear and Clearstream								
04/25/2016	04/17/2019	10	100	4.05		1,000		-
04/27/2016	09/25/2026	50	100	6.20		5,000		-
10/21/2016	04/17/2019	18	100	5.52		1,800		-
10/25/2016	09/25/2026	42	100	6.20		4,200		-
Premium or discount on placement						(94)		-
Accrued interest payable						135		-
						12,041		-
Green bond denominated in Local Currency								
09/02/2016	09/01/2023	20	100	6.05		2,000		-
Accrued interest payable						40		-
						2,040		-
				Total	$	51,367	$	40,530

Two stock certificates (fixed rate and reviewable rate) were issued under the communicative units format in April 2016, and in reliance on the program of syndicated auctions that the Institution has been carrying out since the end of 2013. However, there was a new characteristic for the fixed rate tranche, since the necessary formalities were carried out for that instrument to be settled through Euroclear or Clearstream. This permits the participation of foreign investors in the local issue and seeks to increase the base of investors. The foregoing is highlighted by the foreign participation obtained for the first time, mainly through European banks. That instrument was reopened successfully in October, which was also carried out with the characteristic that it can be settled through Euroclear and Clearstream.

In addition, the Institution issued its second Green Bond in November 2016, through a transaction on the local market denominated in pesos with a seven year term. The placement was well diversified with investors, which positioned the Institution again as a leading development bank in this type of initiatives to promote the transition toward a competitive, sustainable economy with low emissions. The demand was close to 6 billion pesos (2.92 times), and the final placement amounted to 2 billion pesos, which will initially be used of financing three projects, two hydroelectric mini-plants, and an eolian park located in Nayarit and Puebla, respectively. The issue was also highlighted by the support obtained of the second opinion of Sustainalytics. This marks the beginning of Green Bonds in México, since it is the first issue in pesos of this type in México.

NOTE 18. NEGOTIABLE INSTRUMENTS ISSUED ABROAD

Bank bonds:

At December 31, 2016 and 2015, the balances of this item amount to $28,622 and $19,660, respectively.

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

		Source currency				
Currency	**Securities**	**Value**	**Interest**	**% Average rate**	**Balance in local currency**	**Term**
2 0 1 6						
US dollars	87	1,237	2	1.05351	$ 25,544	less than one year
Euros	4	149	-	1.64825	3,078	more than one year
					$ 28,622	
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
					$ 19,660	

Marketable Notes:

At December 31, 2016 and 2015, the balance in this item amounting to $10,352 and $8,655, respectively, is summarized as follows:

Currency	Source currency Value	Interest	% Rate	Balance in local currency	Term
2 0 1 6					
US dollars	500	3	3.37500	$ 10,352	5 years
2 0 1 5					
US dollars	500	3	3.37500	$ 8,655	5 years

The Institution issued the first Mexico's "Green Bond" for USD 500 million over a five year term at a fixed coupon rate of 3.375% in 2015, 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 Mexico'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 (eolian 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:

	2 0 1 6	2 0 1 5
Multinational and governmental agencies		
World Bank	$ 1,031	$ 863
Inter-American Development Bank	7,540	7,274
Others	5,904	2,985
	14,475	11,122
Banking institutions	10,143	12,531
Other loans	5,699	55
Unpaid accrued interest	33	41
	$ 30,350	$ 23,749

At December 31, 2016 and 2015, maturities at a term less than one year amount to $19,039 and $14,030, respectively.

At December 31, 2016, interbank loans and from other agencies are summarized as follows:

Financial Agency	Average rate	Average term to maturity (residual)	Millions in source currency		Local currency
Demand deposits					
Local Currency:	5.7167	1 day	5,699	$	5,699
Interest			1		1
Total			5,700	$	5,700
Short-term					
US dollars:					
Commercial banking	1.3646	53 days	355	$	7,306
NF BID Cclip 2226 oc Me Development	2.1400	161 days	5		103
Official Institute of Credit	1.3333	120 days	1		21
Corporación Andina de Fomento	1.1004	31 days	280		5,773
			641	$	13,203
Euros:					
Commercial banking	1.4588	341 days	3	$	71
			3	$	71
Financial Broker					
Euros:					
Inter-American Development Bank Washington, D.C.	3.0000	112 days	1	$	19
			1	$	19
Special Draft fees:					
International Agricultural Development Fund	27.7193	212 days	-		14
			-	$	14
Interest			2	$	32
			2	$	32
Total			647	$	13,339
Long-term					
US dollars:					
Commercial banking	20.6194	5 years 6 months	42	$	862
Official Institute of Credit	20.6194	9 years	77		1,595
NF BID Cclip 2226 oc Me Pemex S&ME Development	20.6194	18 years 6 months	88		1,804
NF ctf BIRF 98062 Electrodomestic Substitution Program	20.6194	13 years 9 months	50		1,031
2631 tc Me Renewable Energy Financing Program	20.6194	15 years 7 months	70		1,443

Financial Agency	Average rate	Average term to maturity (residual)	Millions in source currency		Local currency
NF BID Cclip 2843/oc-Me Condition Credit Line Program me-x1010	20.6194	21 years 5 months	100		2,062
NF BID 3237/oc-Me Co-generation Financing Stimulus Program	20.6194	23 years 6 months	100		2,062
			527	$	10,859
Euros:					
Commercial banking	1.4220	6 years	18	$	391
			18	$	391
Financial Broker					
Euros:					
Inter-American Development Bank Washington, D.C.	3.0000	2 years 4 months	2	$	47
			2	$	47
Special Draft fees:					
International Agricultural Development Fund	27.7193	1 year 8 months	-	$	14
			-	$	14
Total			547	$	11,311

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

Financial Agency	Average rate	Average term to maturity (residual)	Millions in source currency		Local currency
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		2,845
					5,950
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				$	14,030

Financial Agency	Average rate	Average term to maturity (residual)	Millions in source currency	Local currency
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 Mexico	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/ocOC-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
				9,639
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				$ 9,719

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:

	2016	2015
Banco de México	$ 535	$ 499
Kreditanstal Fur Wideraufbau Frankfurt	701	604
Inter-American Development Bank	1,769	5,792
Subsidiaries	-	664
Total	$ 3,005	$ 7,559

NOTE 20. OTHER PAYABLES

At December 31, 2016 and 2015, this item consists of the following reserves and provisions:

	2016	2015
Payables for cash collateral received	$ 1,126	$ 5
Other liabilities	782	584
Taxes on earnings payable	336	364
Employee profit sharing payable	271	257
Clearing accounts	88	410
Provisions for other items	80	100
Security deposits	3	3
Total	$ 2,686	$ 1,723

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 $32 and $27, respectively, at December 31, 2016 and 2015.

As of December 31, 2016 and 2015, the Defined Contribution Plan assets amount to $269 and $237, respectively, and it is invested in an irrevocable trust created in the Institution.

b) Defined Benefit Retirement Plan -

Moreover, GWCs set forth that workers who reach 65 years of age and complete 30 years of service will be eligible for a retirement annuity. Moreover, upon reaching 65 years of age with 5 years of seniority, workers will be eligible to receive a monthly annuity, whose amount will be equal to the result of multiplying the average of the net monthly salary accrued by the employee during the last year of service by the number of years of service rendered by the 0.0385 factor. The Institution reserves the right to pay a pension for retirement to that worker who has reached 60 years of age or completed 26 years of service.

On the other hand, the transition articles of the GWC dated August 12, 1994 set forth that workers who joined the Institution prior to the above date and reach 55 years of age and have completed 30 years of service, 60 years of age and have completed 26 years of service or 60 years of age and completed 5 years of seniority will be eligible for a pension in the terms of the GWC referred to above.

In the event of an unjustified dismissal or termination of the employer-employee relationship, the worker may choose to receive the pertinent indemnification or a retirement annuity calculated based on the main characteristics of the retirement plan discussed paragraph one if the worker is 50 years old and has 16 or more years of seniority.

Transition Article Five paragraph a) of the GWC, 2006 review, sets forth that persons who have obtained a pension for disablement, disability or retirement at a date prior to that review and those workers who have joined the Institution at a date prior to the effectiveness of the above review to whom the Defined Retirement Benefit Plan applies will continue to enjoy the right to receive the following additional benefits from the Institution at the time when they retire:

- Short-term loans, medium-term loans, and Special Loan for Savings, which will be paid with a charge to administration and promotion expenses with an 18% net guaranteed return of the maximum capacity to invest that will be calculated on 41.66% of the net monthly pension multiplied by 72 months, as well as the available capacity that will be over 50% of the net pension, less the month deductions from the short and medium-term loans with capital and interest multiplied by 72 months, with a 41.66% cap or ceiling of the monthly net pension. The Special Loan for Savings will bear 1% annual interest on its amount, which will be withheld by the Institution.

The net cost for the period allocated to income at December 31, 2016 and 2015 amounted to $901 and $1,041, respectively, including the effect of other postretirement benefits.

At December 31, 2016 and 2015, the plan assets of the fund for labor obligations amount to $6,511 and $6,429, respectively, and the fund is invested in an irrevocable trust created in the Institution. The net cost for the period recorded in income of the Institution amounted to $298 and $186, respectively.

In accordance with the provisions of FRS D-3 "Employee Benefits" (FRS D-3), the Institution recognized plan assets with respect to "other postretirement benefits" in its financial statements at December 31, 2016 and 2015, in the amounts of $9,941 and $9,502, respectively. Moreover, the net cost of the period recorded in income of the Institution amounted to $603 and $855, respectively.

The summary of the actuarial calculations at December 31, 2016 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	$ 7,378	$ 5	$ 7,586	$ 2,979

Reconciliation between the value of the Defined Benefit Obligation (DBO) and Plan assets (PA) with the net (Liability) / Asset for defined benefits (a)

Item	Retirement	Seniority premium	Other benefits at retirement	Special Loan for Savings (PEA) and Financial Cost of Credits
A. Defined Benefit Obligations (DBO)	$ (7,920)	$ (28)	$ (9,546)	$ (3,654)
B. Plan Assets (PA)	6,571	29	6,977	3,104
Projected net (Liability) / Asset for defined benefits	$ (1,349)	$ 1	$ (2,569)	$ (550)
Amortization periods of unamortized items	6.30	11.20	15.38	6.30
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 2016 (b)

Item	Retirement	Seniority premium	Other benefits at retirement	Special Loan for Savings (PEA) and Financial Cost of Credits
A. Labor Cost	$ 33	$ 2	$ 140	$ 33
B. Financial Cost	458	2	531	231
C. Returns on Assets	(401)	(2)	(425)	(192)
D. Recycling of remeasurements	206	-	142	143
Net cost for the Period	$ 296	$ 2	$ 388	$ 215

Main hypothesis used:

	(a) 31-Dec-16	(b) 31-Dec-15
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%	9.00%

(a) Actuarial values were determined by the Bufete Matemático Actuarial, S.C. firm considered the hypotheses of December 31, 2016.

(b) The hypotheses of December 31, 2015 were used to determine the net cost for the period of 2016.

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

	Retirement	Seniority premium	Other benefits at retirement	Special Loan for Savings (PEA) and Financial Cost of Credits
Item	**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	$ 6,946	$ 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)				
C. Defined Benefit Obligations (DBO)	$ (7,577)	$ (29)	$ (8,655)	$ (3,790)
D. Plan Assets (PA)	6,375	26	6,572	2,940
E. Funded Status	(1,202)	(3)	(2,083)	(850)
F. 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

Main hypothesis used:

	(c) 31-Dec-15	(d) 31-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%

(c) Actuarial values were determined by the Bufete Matemático Actuarial, S.C., which considered the hypotheses of December 31, 2015.

(d) The hypotheses of December 31, 2014 were used to determine the net cost for the period of 2015.

It is important to clarify that these results are not comparable with respect to the results generated and recorded in fiscal 2016, since the new provisions of the standard set forth treatments that differ from the prior standard applied to fiscal 2015, in results as well as in the application to stockholders' equity.

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

		2016		2015
Number of employees		1,056		1,017
Annual base payroll	$	276	$	257
Annual computed payroll	$	476	$	450
Average current age		42.40		43.46
Average seniority		12.00		12.94
Number of pensioners		1,555		1,526
Annualized pension payroll	$	506	$	483
Average current age		70.08		69.57

Statement of status

At December 31, 2016 and 2015, the statement of status is as follows:

	Retirement pension plan	Seniority premium	Other benefits at retirement: Medical service, savings fund, insurance, athletic club	Other benefits at retirement: PEA and financial cost of credits
	Retirement	Retirement and termination	Retirement	Retirement
2 0 1 6				
Defined benefit obligation	$ (7,920)	$ (28)	$ (9,546)	$ (3,654)
Plan assets	6,571	29	6,977	3,104
Defined benefits obligation in excess of the plan assets	(1,349)	1	(2,569)	(550)
Projected net (Liability) / Asset	$ (1,349)	$ 1	$ (2,569)	$ (550)
2 0 1 5				
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

Reconciliation of the book provision

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

	Retirement pension plan	Seniority premium	Other benefits at retirement: Medical service, savings fund, insurance, athletic club	Other benefits at retirement: PEA and financial cost of credits
	Retirement	Retirement and termination	Retirement	Retirement
2 0 1 6				
Balance at beginning of year	$ (56)	$ (1)	$ 12	$ (22)
Remediations not yet recognized in OCI	1,259	4	2,070	872
Net cost for the period in accordance with FRS D-3	296	2	388	215
Contribution made to the fund	(296)	(2)	(388)	(215)
Recycling of remediations for defined benefits	146	(4)	487	(300)
Final balance	$ 1,349	$ (1)	$ 2,569	$ 550

	Retirement pension plan	Seniority premium	Other benefits at retirement: Medical service, savings fund, insurance, athletic club	Other benefits at retirement: PEA and financial cost of credits
	Retirement	Retirement and termination	Retirement	Retirement
2 0 1 5				
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)

In conformity with the provisions in the modifications of the Provisions published in the Official Daily Gazette (DOF) 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 Commission 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 $(3,715), 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) 20% of the accumulated balance of plan losses amounting to $(743) will be recorded in capital gains in the account of "Remeasurements of defined employee benefits". The remaining balance amounting to $(2,972) 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 regime in 2016 and 2015.

Income tax is calculated at a 30% rate considering certain impacts of inflation as taxable or deductible, such as depreciation calculated on constant values in constant pesos. The impact 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:

	2016	2015
Current	$ (824)	$ (716)
Deferred	$ 279	$ 324

Only deferred Income Tax and Employee Profit Sharing are calculated.

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

	2016	2015
Liabilities:		
Investments in nondeductible fixed assets	$ 279	$ 296
Other assets	627	406
	$ 906	$ 702
Assets:		
Provisions	$ (74)	$ -
Valuation of permanent investments	-	(90)
Others	(1,304)	(950)
	(1,378)	(1,040)
Taxes on earnings	(472)	(338)
Deferred Employee Profit Sharing	(303)	(203)
Deferred taxes (net)	$ (775)	$ (541)

In 2016 and 2015, the effective rates stated as a percentage of income before taxes on earnings are:

	2016	2015
Statutory rate	30.00%	30.00%
Add (less):		
Nondeductible expenses	1.38%	2.44%
Portfolio provisions	18.30%	17.09%
Profit Sharing	(1.16%)	(1.14%)
Impact of inflation	(10.12%)	(6.55%)
Deferred tax	(14.72%)	(19.15%)
Others	5.08%	0.07%
Effective rate	28.76%	22.76%

NOTE 23. STOCKHOLDERS' EQUITY

a) Capital stock. -

At December 31, 2016 and 2015, the Institution's capital stock is summarized as follows:

	2016	2015
Subscribed capital:		
Series "A"		
31 548 000 Certificates of Capital Contribution (CAPs) with a value amounting to fifty pesos each one	$ 1,577	$ 1,577
Series "B"		
16 252 000 CAPs with a value amounting to fifty pesos each one	813	813
Total subscribed for capital	2,390	2,390
Unissued capital		
Series "A"		
7 868 728 CAPs with a value amounting to fifty pesos each one	(393)	(393)
Series "B"		
4 053 586 CAPs with a value amounting to fifty pesos each one	(203)	(203)
Total unissued capital	(596)	(596)
Subscribed for and paid-in capital stock		
Series "A"		
23 679 272 CAPs with a value amounting to fifty pesos each one	1,184	1,184
Series "B"		
12 198 414 CAPs with a value amounting to fifty pesos each one	610	610
Total subscribed for and paid-in capital stock	1,794	1,794
Increase from restatement	7,011	7,011
Total	$ 8,805	$ 8,805

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

b) Contribution for future capital stock increases. -

At, December 31, 2016 and 2015, its value amounts to $2,750 and $1,950, respectively.

At its extraordinary meeting held on December 15, 2016, the Board of Directors authorized Management of the Institution, to carry out the necessary arrangements to petition the Executive

Branch, through the Ministry of Finance and Public Credit (SHCP), in an amount up to $800 required to be able to support the volume of development and investment banking operations, as well as to obtain a prudential level of capitalization for fiscal 2016 year end. The above contribution was received and recorded in December 2016.

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, 2016 and 2015 amounts to $8,922.

d) Capital reserves. -

The nominal value of these reserves at December 31, 2016 and 2015 amounts to $314, and its restated value at both years end amounts to $1,730.

e) Prior year losses. -

As of December 31, 2016 and 2015, the summary of the account balance is as follows:

	2016	2015
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	7,273	5,989
Creation of provisions for repossessed assets	(260)	(260)
RETANM realized	(13)	(13)
Pension reserve, PEA, and retiree loans.	(4,310)	(4,310)
	(170)	(1,454)
Gain or loss on valuation in associated and affiliated companies	3,319	3,319
Adjustment on accumulated depreciation of furniture and equipment	(96)	(96)
Deferred taxes	(333)	(333)
	$ 2,720	$ 1,436

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 realized in income up to the fiscal year in which the security is sold or reaches maturity.

At December 31, 2016 and 2015, the gain or loss on valuation of available-for-sale securities at market is summarized as follows:

	2 0 1 6	2 0 1 5
Valuation of available-for-sale securities	$ (178)	$ (290)

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

At, December 31, 2016 and 2015, its value amounts to $640 and $289, 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 went into effect 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 13.26% level confirmed by the Bank of Mexico at December 31, 2016.

Cash dividends received by legal entities resident in national territory are not subject to a withholding, 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, 2016 and 2015 are as follows:

	2 0 1 6		
	Total	Local currency	Foreign currency
Interest income			
Interest on performing loan portfolio			
Commercial credits	$ 2,114	$ 898	$ 1,216
Housing lending	2	2	-
Loans to government entities	716	715	1
Loans granted as a (Financial) Agent of the Federal Government	3	-	3
Loans to financial entities	6,014	5,738	276
	$ 8,849	$ 7,353	$ 1,496
Interest and yields earned on investments in securities			
Trading securities	$ 714	$ 714	$ -
Available-for-sale securities	278	-	278
Held-to-maturity securities	733	684	49
	$ 1,725	$ 1,398	$ 327

	2016 Total	Local currency	Foreign currency
Interest and yields earned in repurchase agreement transactions			
Repurchase transactions	$ 10,097	$ 10,097	$ -
	$ 10,097	$ 10,097	$ -
Interest from liquid assets			
Banks	$ 46	$ -	$ 46
Restricted liquid assets	656	637	19
	$ 702	$ 637	$ 65
Fees income from lending transactions (adjustment on yield)			
Commercial credits	$ 94	$ 94	$ -
Revenues from hedge trading	(425)	(166)	(259)
Premiums on debt placement	13	13	-
Exchange gain on appreciation	108	-	108
Net equity dividends	4	4	-
Subsidiaries	20	20	-
Total interest income	$ 21,187	$ 19,450	$ 1,737
Interest expenses			
Interest on term deposits	$ 5,430	$ 5,266	$ 164
Interest on negotiable instruments issued	3,214	2,687	527
Interest payable on interbank loans and loans for other Agencies	469	235	234
Interest and yields payable in repurchase agreement transactions	9,057	9,057	-
Expenses from hedge trading	(1,277)	(2,863)	1,586
Subsidiaries	(443)	(443)	-
Total interest expense	$ 16,450	$ 13,939	$ 2,511
Financial margin	$ 4,737	$ 5,511	$ (774)
Commission and fee income			
Guarantees	$ 1,931	$ 1,931	$ -
Lending transactions	195	195	-
Guarantees by endorsement	2	2	-
Custody or administration of assets	8	8	-
Fiduciary activities	334	334	-
Others	74	3	71
Subsidiaries	227	227	-
	$ 2,771	$ 2,700	$ 71

	2016 Total	2016 Local currency	2016 Foreign currency
Commission and fee expenses			
Loans received	$ 24	$ -	$ 24
Debt placed	9	9	-
Others	91	85	6
Subsidiaries	165	165	-
	$ 289	$ 259	$ 30
Gain or loss on brokerage			
Gain or loss on valuation at fair value and decrease on securities valued at cost:			
Trading securities	$ 186	$ 186	$ -
Derivative financial instruments for trading purposes	140	(73)	213
Derivative financial instruments for hedging purposes	(15)	1,694	(1,709)
Collateral sold	(301)	(301)	-
	$ 10	$ 1,506	$ (1,496)
Gain or loss on trading derivative financial instruments:			
Trading securities	$ 565	$ 565	$ -
Held-to-maturity securities	2	-	2
Available-for-sale securities	(26)	-	(26)
Derivatives financial instruments for trading purposes	3,804	3,804	-
	$ 4,345	$ 4,369	$ (24)
Gain (loss) on buying and selling foreign currency	$ (5,101)	$ -	$ (5,101)
Gain or loss on brokerage	$ (746)	$ 5,875	$ (6,621)
Other operating income (expenses)			
Reversal of the surplus of preventive estimates for lending risks	$ 579	$ 426	$ 153
Allowance for uncollectible or doubtful accounts	(15)	(15)	-
Allowance (provision) for loss on repossessed assets	(3)	(3)	-
Other losses	(7)	(7)	-
Gain or loss on sale of repossessed assets	2	2	-
Income on loans to personnel	40	40	-
Other operating income (expenses) items **(a)**	(435)	(435)	-
Other income (expenses) of subsidiaries	(20)	(20)	-
	$ 141	$ (12)	$ 153

(a) The Institution realized the payment in the amount of $800 million mexican pesos on December 9, 2016, in conformity with the indications in official letter number 102-B-023, dated December 8, 2016, issued by the Vice Ministry of Finance and Public Credit, whereby the Federal Government instructs the Institution to realize a payment under the juridical nature of use for furnishing a sovereign guarantee of the Federal Government.

	2 0 1 5 Total	Local currency	Foreign currency
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
	$ 6,126	$ 5,290	$ 836
Interest and yields earned on investments in securities			
Trading securities	$ 195	$ 195	$ -
Available-for-sale securities	228	-	228
Held-to-maturity securities	592	544	48
	$ 1,015	$ 739	$ 276
Interest and yields earned in repurchase agreement transactions			
Repurchase transactions	$ 7,880	$ 7,880	$ -
	$ 7,880	$ 7,880	$ -
Interest from liquid assets			
Banks	$ 7	$ -	$ 7
Restricted liquid assets	443	435	8
	$ 450	$ 435	$ 15
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	$ 14,416	$ 13,191	$ 1,225
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
	$ 9,972	$ 9,599	$ 373
Exchange loss on appreciation	129	-	129
Total interest expense	$ 10,101	$ 9,599	$ 502
Financial margin	$ 4,315	$ 3,592	$ 723

	2 0 1 5 Total	Local currency	Foreign currency
Commission and fee income			
Guarantees	$ 1,811	$ 1,811	$ -
Lending transactions	207	207	-
Guarantees by endorsement	2	2	-
Custody or administration of assets	8	8	-
Fiduciary activities	307	307	-
Others	22	2	20
Subsidiaries	305	305	-
	$ 2,662	$ 2,642	$ 20
Commission and fee expenses			
Loans received	$ 10	$ -	$ 10
Debt placed	7	5	2
Others	76	68	8
Subsidiaries	205	205	-
	$ 298	$ 278	$ 20
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)
	$ 256	$ 385	$ (129)
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)
	$ (669)	$ 4,491	$ (5,160)
Gain or loss on brokerage	$ (413)	$ 4,876	$ (5,289)
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 (expenses) items **(b)**	(534)	(536)	2
Other income (expenses) of subsidiaries	(13)	(13)	-
	$ 18	$ (214)	$ 232

(b) The Institution realized 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 Vice Ministry of Finance and Public Credit, whereby the Federal Government instructs the Institution to realize 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, 2016 and 2015, the Institute has guarantees by endorsements furnished amounting to $72 and $109, respectively, which represent a contingent risk in the event that the secured debtor liquidates his debt to the lending institution. At December 31, 2016 and 2015, 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 2016, no credits have been granted due to nonperformance.

Contingent assets and liabilities

At December 31, 2016 and 2015, this item for $53,448 and $49,738, respectively, is summarized as follows:

		2016	2015
Contingent liabilities:			
Guarantees furnished	**(a)**	$ 63,537	$ 59,541
Unreimbursed guaranties paid covered by a counterguaranty	**(b)**	11,715	12,041
Receivables on claims		134	135
Commitments acquired		2,118	1,848
		77,504	73,565
Contingent assets:			
Counterguaranty received from the Counterguaranty Trust for Enterprise Financing	**(c)**	11,645	11,181
Unrecovered guaranties paid covered by a counterguarantors	**(d)**	11,715	12,041
Unrecovered guaranties paid without a counterguaranty	**(e)**	696	605
		24,056	23,827
Total		$ 53,448	$ 49,738

(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 $60,116 and $57,574, respectively, at December 31, 2016 and 2015. The spread amounting to $3,421 and $1,967 at December 31, 2016 and 2015, respectively, correspond to selective guarantees granted 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 the 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 for $11,645 and $11,181, respectively, at December 31, 2016 and 2015. 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 for $1,175 and $705 at December 31, 2016 and 2015, 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, 2016 and 2015, the Institution has lines of credit and lines of guarantees furnished to financial brokers that have not been drawn down for $135,025 and $197,020, respectively. The amount of $44,013 at December 31, 2016 applies to lines of credit and $91,012 to lines of guarantees furnished, respectively, whereas at December 31, 2015, the amount of $56,790 applies to lines of credit and $140,230 to lines of guarantees furnished, respectively.

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

At December 31, 2016 and 2015, the balances of transactions in which the Institution acts as a Trustee are summarized as follows:

	2016	2015
Investment trusts	$ 25,967	$ 24,081
Management trusts	1,093,806	1,034,677
Trust deeds	46,685	50,078
	1,166,458	1,108,836
Mandates	13,716	2,657
	1,180,174	1,111,493
Financial Agent of the Federal Government	364,371	291,883
Total	$ 1,544,545	$ 1,403,376

Investment and management trusts refer to entities with their own legal personality, independent from the institution. These balances represent 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, 2016 and 2015 amounted to $189 and $188, respectively.

At December 31, 2016 and 2015, trust accounts include a balance amounting to $449 and $464, 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 for them 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, 2016 and 2015, they are summarized as follows:

		2016		2015
Custody	$	70,324	$	106,017
Pledged securities		235,720		181,069
Collections		1		1
Securities in administration		275,309		254,742
Subsidiaries		12,151		11,085
	$	593,505	$	552,914

The fees collected by the Institution for this type of activities at December 31, 2016 and 2015 amount to $8 in both years.

NOTE 28. OTHER MEMORANDUM ACCOUNTS

At December 31, 2016 and 2015, the balances of other memorandum accounts are summarized as follows:

			2016		2015
Guarantees paid reported by brokers as uncollectible without a counterguaranty	**(a)**	$	71	$	49
Classification by degree of loan portfolio risk			277,922		231,352
Credits obtained not yet drawn down (Note 19)			3,005		7,559
Other memorandum accounts	**(b)**		329,809		337,957
Total		$	610,807	$	576,917

(a) They correspond to the amounts of unrecovered guarantees on which collection procedures have been exhausted by the brokers, which do not have a counterguaranty.

(b) Other 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, repossessed assets or received as written-off payment preventively, control of amounts contracted in repurchase agreements and derivative instruments, commitments, 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 $59,594 and $56,684 at December 31, 2016 and 2015, respectively.

The balances of the financial Agent segment apply to activities realized by Federal Government Law, in order to manage funds obtained from international financial agencies in its name. At December 31, 2016 and 2015, they present a balance amounting to $364,465 and $291,992, of which the amounts of $364,371 and $291,883 are recorded in memorandum accounts.

Proprietary and external trust management services are included in the Trustee segment, which are presented in memorandum accounts and amount to $1,166,458 and $1,111,493 at December 31, 2016 and 2015.

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, 2016 and 2015, assets and liabilities and net income of the main operations of the Institution's business segments are presented below:

	Assets		Liabilities and Capital		Net income (loss)	
Business segments	**Amount**	**Equity**	**Amount**	**Equity**	**Amount**	**Equity**
2 0 1 6						
Markets and treasury	$ 255,965	50.83%	$ 255,965	50.83%	$ 1,168	88.42%
First tier credit	66,299	13.17%	66,299	13.17%	(125)	-9.46%
Second tier credit	147,920	29.38%	147,920	29.38%	809	61.24%
Loan guarantees	-	-	-	-	842	63.74%
Financial broker	94	0.02%	94	0.02%	101	7.65%
Trustee	-	-	-	-	(8)	-0.61%
Other areas	33,263	6.60%	33,263	6.60%	270	20.44%
Use and expense of retirees	-	-	-	-	(1,736)	-131.42%
Total	$ 503,541	100.00%	$ 503,541	100.00%	$ 1,321	100.00%

Business segments		Assets Amount	Assets Equity		Liabilities and Capital Amount	Liabilities and Capital Equity		Net income (loss) Amount	Net income (loss) Equity
2 0 1 5									
Markets and treasury	$	201,534	52.39%	$	201,534	52.39%	$	1,099	85.59%
First tier credit		43,730	11.37%		43,730	11.37%		357	27.80%
Second tier credit		127,863	33.24%		127,863	33.24%		486	37.85%
Loan guarantees		-	-		-	-		665	51.79%
Financial broker		109	0.03%		109	0.03%		65	5.06%
Trustee		-	-		-	-		3	0.23%
Other areas		11,474	2.97%		11,474	2.97%		376	29.28%
Use and expense of retirees		-	-		-	-		(1,767)	-137.64%
Total	$	384,710	100.00%	$	384,710	100.00%	$	1,284	100.00%

Statements of income by business segments at December 31, 2016 and 2015 are presented below:

	Markets and treasury	First tier credit	Second tier credit	Loan guarantees	Financial broker	Trustee	(a) Other areas	Use and expense of retirees	Total
2 0 1 6									
Income:									
Financial income, net	$ 1,613	$ 552	$ 1,390	$ 2,248	$ 233	$ 193	$ 401	$ -	$ 6,630
Expenses:									
Operating expense	(350)	(72)	(640)	(332)	(121)	(188)	(109)	-	(1,812)
Operating income	1,263	480	750	1,916	112	5	292	-	4,818
Credit reserves and write-offs	(4)	(601)	115	(633)	(2)	(3)	(1)	-	(1,129)
Retiree expense	-	-	-	-	-	-	-	(936)	(936)
Other Expenses and Taxes (b)	(91)	(4)	(56)	(441)	(9)	(10)	(21)	(800)	(1,432)
Net income (loss)	$ 1,168	$ (125)	$ 809	$ 842	$ 101	$ (8)	$ 270	$ (1,736)	$ 1,321
2 0 1 5									
Income:									
Financial income, net	$ 1,539	$ 537	$ 1,417	$ 1,931	$ 195	$ 193	$ 461	$ -	$ 6,273
Expenses:									
Operating expense	(360)	(67)	(701)	(309)	(121)	(177)	(59)	-	(1,794)
Operating income	1,179	470	716	1,622	74	16	402	-	4,479

		Markets and treasury	First tier credit	Second tier credit	Loan guarantees	Financial broker	Trustee	(a) Other areas	Use and expense of retirees	Total
Operating income		1,179	470	716	1,622	74	16	402	-	4,479
Credit reserves and write-offs		(2)	(90)	(179)	(642)	(1)	(1)	-	-	(915)
Retiree expense		-	-	-	-	-	-	-	(1,067)	(1,067)
Other Expenses and Taxes	(c)	(78)	(23)	(51)	(315)	(8)	(12)	(26)	(700)	(1,213)
Net income (loss)		$ 1,099	$ 357	$ 486	$ 665	$ 65	$ 3	$ 376	$ (1,767)	$ 1,284

(a) It includes the following areas: Investment Bank, Subsidiaries and Other Income (Expenses), net.

(b) It includes $632 of taxes and Employee Statutory Profit Sharing due and deferred.

(c) It includes $513 of taxes and Employee Statutory Profit Sharing due and deferred.

Retained earnings amounted to $1,613 in 2016, which is mainly comprised of $1,523 generated by the operation of distinct markets and treasury, which was higher for $105 or 6.9%, in connection with what was obtained in 2015.

At December 31, 2016, net income obtained in the first tier Credit amounted to $552, consisting of a financial margin of $492; of extraordinary income of normal and default interest $24, and net fees amounting to $36, which include $5 of fees identified with the previously referred to client, as well as the payment of $10 on commitment fees associated with credits contracted with the IDB.

The second tier Credit obtained accrued financial income amounting to $1,390, of which $1,311 correspond to financial margin, and $79 to commission fees, and other net income associated with the lending operation. The amount of financial margin was lower in 2016 compared with that observed in 2015, due to the reduction of 23 base points in the weighted margin of the loan portfolio. That reduction of financial margin 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 18.6% by going from $102,951 in 2015 up to $122,080 in 2016, in line with institutional strategy.

At December 31, 2016, the credit Guarantee segment presents net financial income amounting to $2,249, which includes fees collected on guarantees furnished amounting to $1,796, as well as $453 of interest on investments and net recoveries.

Net financial income of the credit Guarantee segment increased 16.4% from 2015 to 2016, mainly due to the growth in the balance of proprietary guarantees furnished during the last twelve months, which went from $59,541 up to $63,536, equivalent to 6.7%.

At December 31, 2016, net financial income of the Financial Agent segment amounted to $233. With respect to what was obtained due partly to the variation in the exchange rate in 2015, these fees are collected in dollars, and at the increase in the balance of the 4.4% mandate in dollars.

Net financial income was charged for $193 in the Trustee business segment in 2016. It is practically the same amount as in the prior year, in spite of the payment of $4 for consulting for reorganization of this business area, which represented a 2% increase without considering the above expense.

NOTE 30. COMPREHENSIVE INCOME

The Institution's comprehensive income for the years ended December 31, 2016 and 2015 is presented below:

		2016		2015
Net income for the year	$	1,321	$	1,284
Effect of items recognized in stockholders equity with no effect in results of the year:				
Gain (loss) on valuation of available-for-sale securities		112		(238)
Valuation effects in associate and affiliate companies		351		126
Non-holding company equity		139		118
		602		6
Comprehensive income or loss	$	1,923	$	1,290

NOTE 31. CAPITALIZATION RATIO

At December 31, 2016 and 2015, the preliminary of the capitalization ratio was set at 13.26% and 13.57%, which is comprised of and starts with net capital amounting to $22,657 and assets adjusted for total risks amounting to $170,817.

a) *Basic and Complementary Capital.*

The Institution's net capital consists of $22,657 of basic capital. Pursuant to the application of the portfolio rating methodology, complementary capital is zero, which implies that Net Capital is equal to Basic Capital that is, in turn, equal to Basic Capital.

b) *Assets adjusted for market risks.*

Assets adjusted for market risks amount to $47,849 and are equivalent to a capital requirement amounting to $3,828, which are summarized as follows:

Positions exposed to market risk by the risk factor

Item		Amount of equivalent positions		Capital requirement
Transactions in local currency at a nominal rate	$	12,196	$	975
Trades with debt securities in local currency with a surcharge and a reviewable rate		6,714		540
Transactions in local currency at a real rate or denominated in UDIS		15,036		1,202
Positions in UDIS or with a return based on the NCPI		62		5
Transactions in foreign currency at a nominal rate		3,646		291
Foreign exchange positions or with a yield indexed to the exchange rate		138		11
Positions in shares with a return indexed to the price of a share of group of shares		10,057		804
	$	47,849	$	3,828

c) ***Assets adjusted for credit risks.***

Assets adjusted for credit risks amount to $115,623 and are equivalent to a capital requirement amounting to $9,250. Pursuant to the foregoing, the assets adjusted for credit risks in credits and deposits amount to $87,246, which are equivalent to a capital requirement amounting to $6,980, 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%)	$	13,936	$	1,115
Group III (weighted at 50%)		2,454		196
Group III (weighted at 100%)		872		70
Group III (weighted at 120%)		536		43
Group IV (weighted at 20%)		3,514		281
Group VI (weighted at 100%)		685		55
Group VII (weighted at 20%)		6,646		532
Group VII (weighted at 50%)		3,511		281
Group VII (weighted at 100%)		12,916		1,033
Group VII (weighted at 120%)		9		1
Group VII (weighted at 150%)		3,994		319
Group VII-B (weighted at 20%)		81		7
Group VII-B (weighted at 50%)		913		73
Group VII-B (weighted at 100%)		37,060		2,965
Group VIII (weighted at Group VI%)		5		-
Group VIII (weighted at Group VII%)		114		9
	$	87,246	$	6,980

d) ***Assets adjusted for operating risks.***

Assets adjusted for operating risks amount to $7,345 and are equivalent to a capital requirement amounting to $588.

Weighted assets subject to operating risk

Method used	Assets weighted by risk	Capital requirement
Basic indicator	$7,345	$588

Average market and credit risk requirement of the last 36 months	Average positive annual net revenue of the last 36 months
$10,654	$3,917

Annex 1-O of the Provisions, requirements for the disclosure of information relative to capitalization

1. Summary of net capital.

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	$	20,477
2	Prior year losses		2,720
3	Other elements of comprehensive capital (and other reserve)		2,873
6	**Common tier 1 capital before regulatory adjustments**	$	26,070
	Common tier 1 capital: regulatory adjustments		
15	Defined benefit pension plan		13,405
26	Domestic regulatory adjustments		3,413
A	of which: Other elements of comprehensive capital (and other reserve)		
D	of which: Investments in multi-lateral agencies		673
F	of which: Investments in risk capital		2,576
G	of which: Investments in mutual funds		164
28	**Total regulatory adjustments to tier 1 common capital**	$	3,413
29	**Common capital tier 1 (CET 1)**	$	22,657
	Additional tier 1 capital: regulatory adjustments		
44	**Additional tier 1 capital (AT1)**	$	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	$	22,657
	Tier 2 capital: instruments and reserves		-
51	**Tier 2 capital before regulatory adjustments**		-

Ref.	Common capital tier 1 (CET 1) Instruments and reserves		Amount
	Tier 2 capital: regulatory adjustments		-
59	**Total capital (TC = T1 + T2)**	$	22,657
60	**Assets weighted by total risks**	$	170,817
	Capital ratios and supplements		
61	Common tier 1 capital (as a percentage of the weighted assets by total risks)		13.26%
62	Tier 1 capital (as a percentage of the weighted assets by total risks)		13.26%
63	Total Capital (as a percentage of the weighted assets by total risks)		13.26%
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)		6.26%

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 6
	Assets:		
BG1	Liquid assets	$	15,697
BG2	Memorandum accounts		-
BG3	Investments in securities		240,002
BG4	Receivables under repurchase agreements		20
BG5	Securities lending		-
BG6	Derivatives		182
BG7	Valuation adjustment on hedges of financial assets		71
BG8	Total loan portfolio (net)		209,849
BG9	Benefits receivable on securities trading		-
BG10	Other receivables (net)		25,639
BG11	Repossessed assets (net)		9
BG12	Property, furniture and equipment (net)		7
BG13	Permanent investments	**(a)**	21,185
BG14	Long-lived assets held for sale		-
BG15	Deferred taxes and employee profit sharing (net)		1,294
BG16	Other assets		1,120
	Total assets	$	515,075

Balance sheet amounts			
Reference of the items of the balance sheet	**Items of the balance sheet (unconsolidated)**		**2 0 1 6**
	Liabilities:		
BG17	Traditional deposits	$	245,276
BG18	Interbank loans and from other agencies		30,350
BG19	Payables under repurchase agreements		202,689
BG20	Securities lending		-
BG21	Collateral sold or furnished as a guarantee		-
BG22	Derivatives		9,555
BG23	Valuation adjustment on hedges of financial liabilities		(3,699)
BG24	Debentures in securities trading		-
BG25	Other payables		4,154
BG26	Outstanding unsecured obligations		-
BG27	Deferred taxes and employee profit sharing (net)		-
BG28	Deferred credits and advance payments from customers		40
	Total liabilities		488,365
	Stockholders' equity:		
BG29	Capital contributions		20,477
BG30	Capital gains		6,233
	Total stockholders' equity		26,710
	Total liabilities and stockholders' equity	$	515,075
	Memorandum accounts:		
BG31	Guarantees by endorsement executed	$	72
BG32	Contingent assets and liabilities	$	68,803
BG33	Credit commitments	$	44,012
BG34	Assets placed in trust or legal custody	$	1,180,174
BG35	Financial agent of the Federal Government	$	364,371
BG36	Assets in custody or administration	$	581,354
BG37	Collateral received by the entity	$	22,298
BG38	Collateral received and sold or furnished as a guarantee by the entity	$	22,277
BG39	Investment bank third party trading (net)	$	77,010
BG40	Uncollected accrued interest derived from the nonperforming portfolio	$	190
BG41	Other memorandum accounts	$	603,737

(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	$ 673	
17	Investments in risk capital	26 - F	2,576	
18	Investments in mutual funds	26 - G	164	
22	Investments of the defined benefit pension plan	26 - N	13,405	Informative, uncomputed data
	Stockholders' equity:			
34	Paid-in capital that complies with Annex 1-Q	1	20,477	
35	Prior year losses	2	2,720	
37	Other capital gains elements other than the foregoing	3	2,873	
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 - O, 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 Instituti8ons 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	Lending institution without consolidating subsidiaries
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	

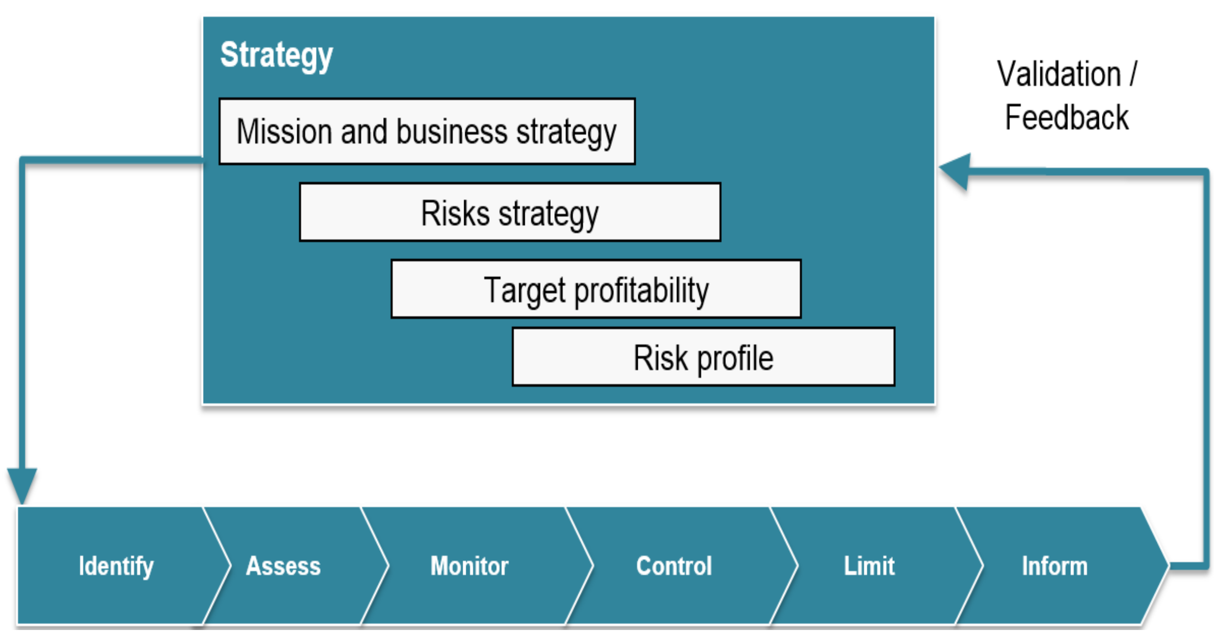
Ref.	Characteristic	Options
28	Type of financial instrument of convertibility	
29	Issuer of instrument	
30	Write - down clause	
31	Write - down conditions	
32	Degree of write - down	
33	Temporary status of write - down	
34	Temporary value write - down mechanism	
35	Subordinated position in case of liquidation	
36	Nonperformance characteristics	
37	Description of nonperformance characteristics	

Risk Management Policies

The institutional ***strategy*** is derived from the mission and business strategy. Risk strategy is developed by considering target profitability, as well as the desired risk profile, based on institutional strategy.

The risk management ***process*** consists of identification, measurement, monitoring, control, limitation, and risk information. This process applies to all types of managed risk.

The interaction between strategy and risk process is presented below:



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.

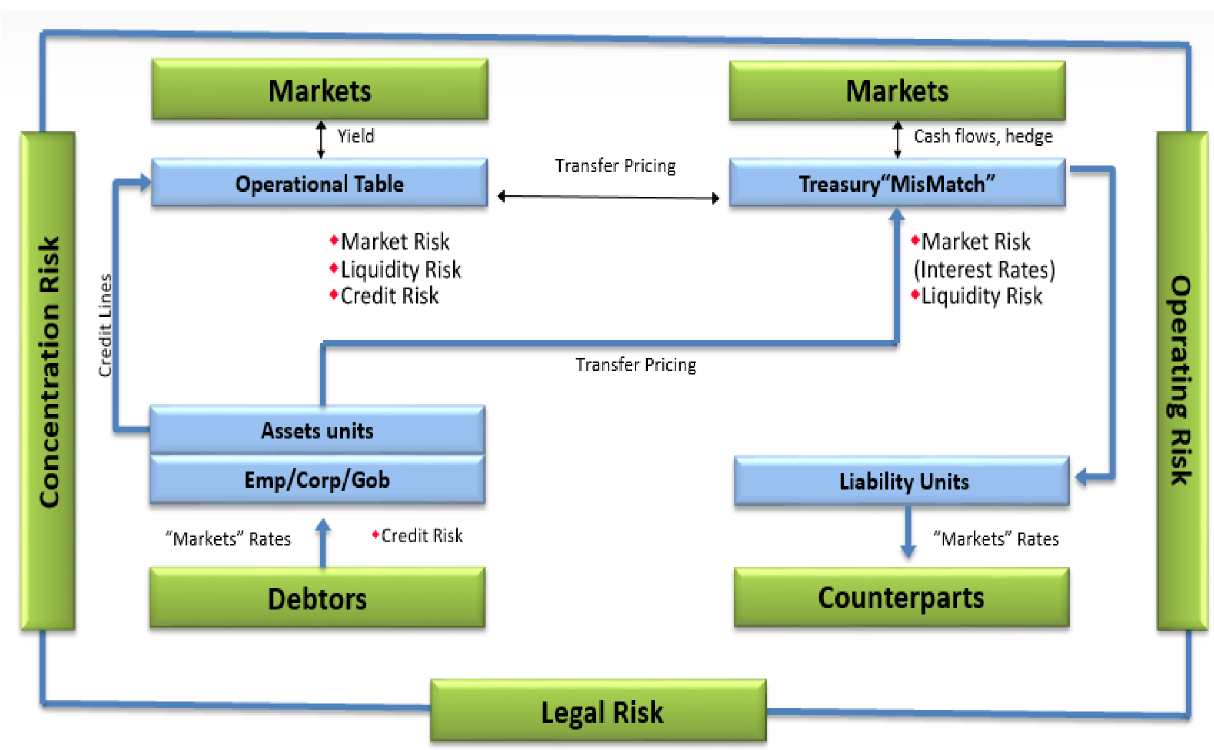
To assure that risk management is a support tool in decision-making, models and methodologies are established that allow for measuring, monitoring, and controlling the distinct types of risk to which the Institution is exposed. These risk measures must also contribution to the definition of business strategies and support the decision-making of the operation at the Institution.

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.

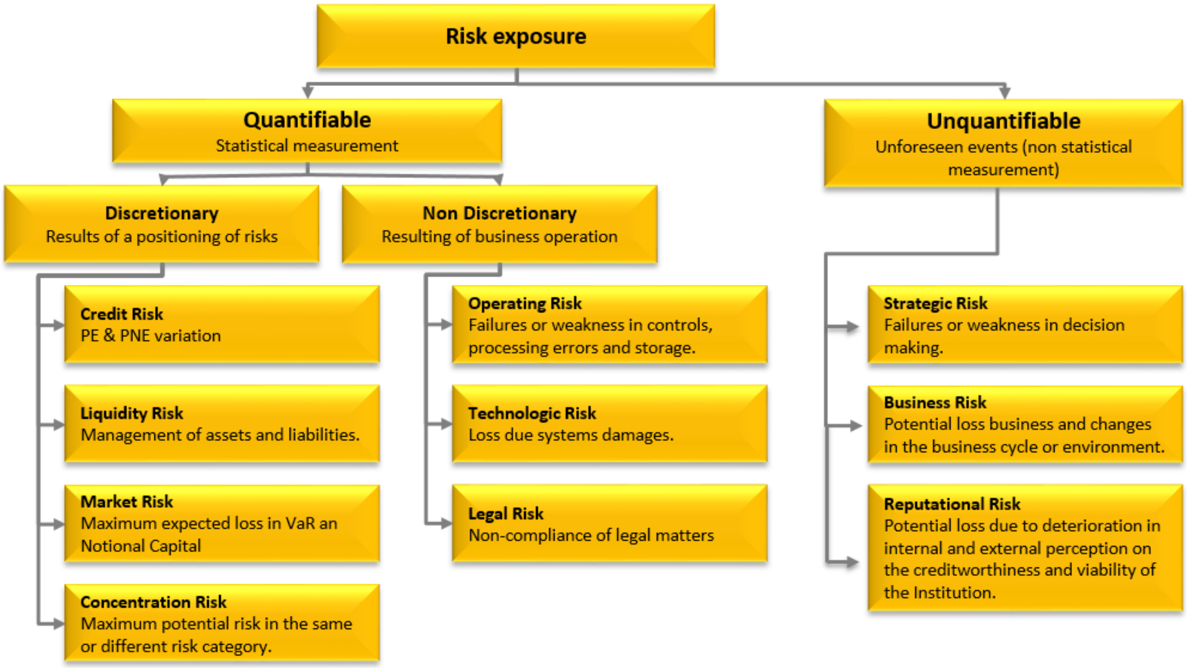
- Treasury: It operates as a central unit that manages the Institution's resources. It is in charge of establishing transfer pricing, controlling liquidity levels, and controlling balance sheet risks. This unit incurs market, credit, and liquidity risks. In the case of the Nacional Financiera, it is 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.

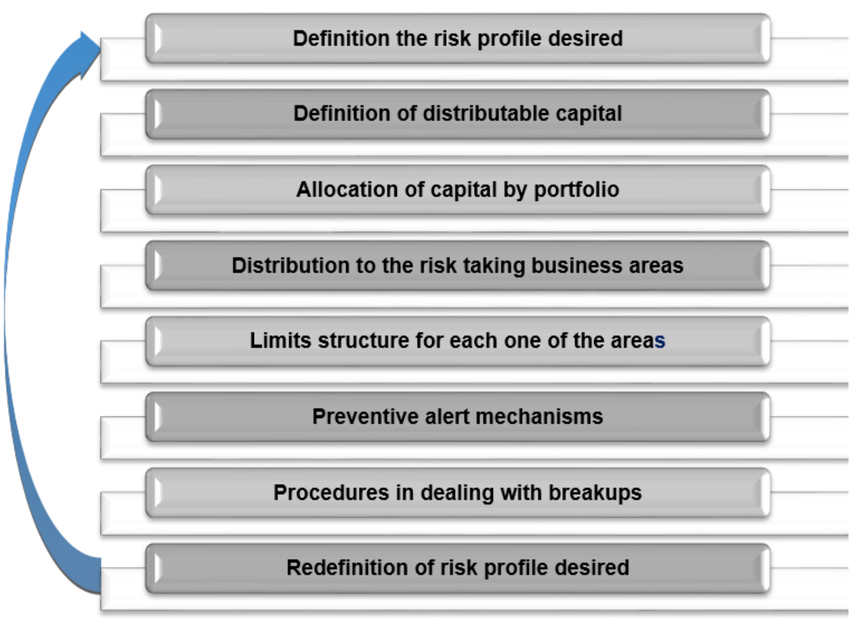


The types of risk to which the Institution is exposed are presented in the following diagram:



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.

Capital limits have a strong relevance. The following process is followed to determine limits:



The allocation process is derived from regulatory capital, based on what is set forth by capitalization rules. Starting with these concepts, distributable capital is determined, that is, the capital which the Institution has for dealing with the risk consumed in its operations.

Capital Limit Structure.

As part of the role of the DAR, Nacional Financiera, S.N.C., I.B.D. has a report structure that has mechanisms implemented in order for the results of the models (risk positions, VaR, Sensitivity analysis, and limit control, among other things) to be considered in the decision-making process, at both a tactical and strategic level.

Considering the foregoing, the capitalization level was placed at 13.20% at December 2016 year-end.

The Institution has a Contingency Financing Plan, which regulates the actions and coordination mechanisms required to deal with adverse liquidity events. That plan contemplates indicators defined for the purpose of following up and trying to foresee situations in which liquidity risk increases and comply with subsection VII of Article 81 of the Sole Bank Circular issued by the Commission.

NOTE 32. COMPREHENSIVE RISK MANAGEMENT

Risk management and follow-up.

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 México 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 $67.29, which represents 0.30% of net capital at December 2016 year end.

Markets VaR Amount $67.29	
Trading VaR $37.43	Treasury VaR $29.86

2. Management of asset and liability.

Management of asset and liability 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.

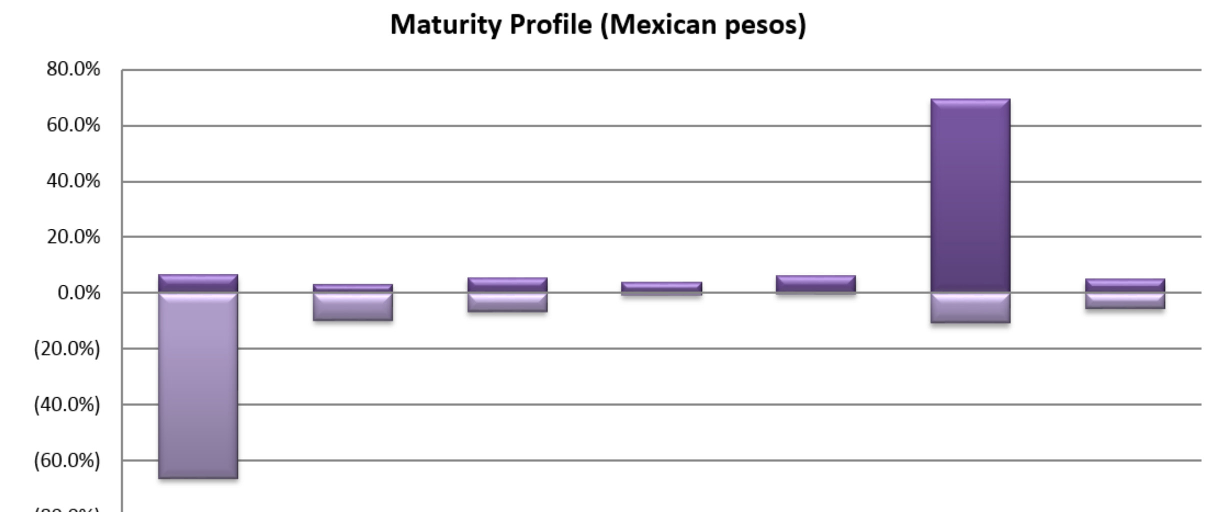
The Institution, in compliance with the Provisions of Comprehensive Risk Management, developed a Contingency Financing Plan, and liquidity stress scenarios, which set forth various measures to control, quantify, and follow up on the risks discussed above, as well as an action plan at an institutional level, in dealing with liquidity problems.

4. Local currency maturity profile.

Lending and borrowing transactions in local currency increased 13.0% during 2016, which is placed in for $468,202 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	2016 Assets	2016 Liabilities	2016 Gap	2015 Assets	2015 Liabilities	2015 Gap
Up to 7 days	$ 31,084	$ 310,287	(279,203)	$ 57,889	$ 259,909	(202,020)
Up to 31 days	14,357	45,647	(31,290)	11,908	65,713	(53,805)
Up to 92 days	26,096	31,106	(5,010)	30,481	11,253	19,228
Up to 184 days	18,714	3,630	15,084	21,746	551	21,195
Up to 366 days	29,647	403	29,244	30,818	3,755	27,063
Subsequent	325,430	50,420	275,010	230,253	44,601	185,652
With no defined maturity	22,874	26,709	(3,835)	31,394	28,707	2,687
Total	$ 468,202	$ 468,202		$ 414,489	$ 414,489	

The negative liquidity gap on the horizon of one month amounts to $310,493, that is, $54,668 more than the level recorded for $255,825 the prior year.



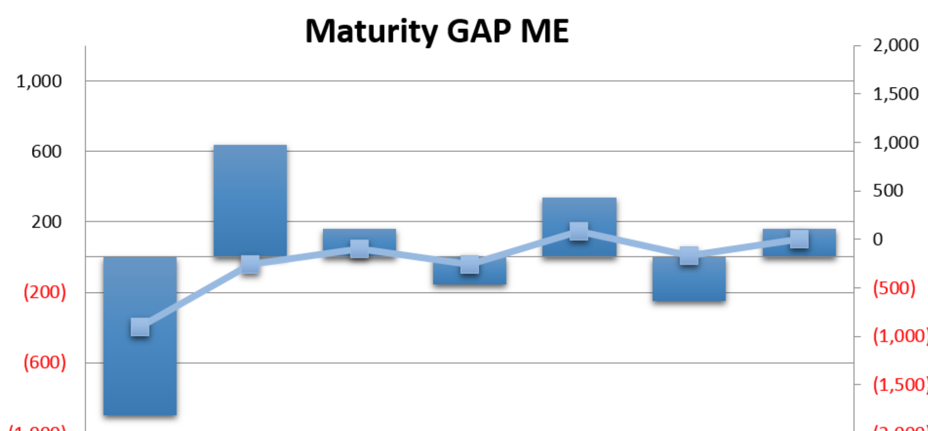
	7 days	31 days	92 days	184 days	366 days	Subsequent	No defined maturity
Assets	6.6%	3.1%	5.6%	4.0%	6.3%	69.5%	4.9%
Liabilities	(66.3%)	(9.7%)	(6.6%)	(0.8%)	(0.1%)	(10.8%)	(5.7%)

5. Foreign currency maturity profile.

Foreign currency lending and borrowing transactions at December 31, 2016 increased 37.3% in the course of the year, which resulted in a higher amount in assets and liabilities less than three months. 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	2016 Assets	2016 Liabilities	2016 Gap	2015 Assets	2015 Liabilities	2015 Gap
Up to 7 days	$ 1,690	$ 2,590	(900)	$ 2,237	$ 1,612	625
Up to 31 days	1,213	574	639	351	407	(56)
Up to 92 days	1,193	1,031	162	69	624	(555)
Up to 184 days	79	235	(156)	193	226	(33)
Up to 366 days	471	131	340	47	37	10
Subsequent	2,009	2,256	(247)	1,932	2,060	(128)
With no defined maturity	162	-	162	137	-	137
Total	$ 6,817	$ 6,817		$ 4,966	$ 4,966	

In accordance with the contractual maturity of foreign currency assets and liabilities, and based on the amounts of the balance sheet at December 2016 closing, it is observed that there was liquidity for $900 in the first 7 days of January 2016.



	7 days	31 days	92 days	184 days	366 days	Subsequent	No defined maturity
Gap	(900)	639	162	(156)	340	(248)	162
Gap acumulated	(900)	(261)	(99)	(255)	85	(163)	0

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 2016 month end, upon considering crisis scenarios in corporate and investment trading portfolios a maturity, a loss would have been generated amounting to 156.85 million MXP equivalent to 0.9% 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	08/25/98	09/11/01	09/19/02	04/28/04	10/16/08
Corporate Trading	5,263.47	(0.12)	(0.12)	(0.69)	0.23	0.05	0.02	(0.00)
Investment to maturity	11,366.31	(131.27)	(90.25)	(117.75)	(0.65)	(20.46)	(131.27)	(156.85)

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 71.53, equivalent to 0.9% of the value of the position, if there had been a situation similar to the crisis of 2008.

Portfolio MXP	Position	Early sale	Crisis scenarios 12/21/94	10/12/98	09/12/01	09/19/02	05/10/04	10/16/08
Available-for-sale	6,590.47	(199.50)	(18.62)	(199.50)	(230.21)	(92.45)	(77.10)	(55.70)
Investment to maturity	1,327.80	(23.10)	(6.38)	(56.25)	(4.80)	(23.10)	(20.71)	(15.83)

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 2016 closing, the total portfolio is placed for $214,062.9, whereas the expected loan portfolio loss amounts to $2,720.3, equivalent to 1.27% of the rated portfolio and an equal percentage of the total portfolio.

Estimate of expected losses

Portfolio		Portfolio balance		Expected loss	% Expected loss
Unrated	$	157.7	$	-	0.00%
Risk A		181,972.4		1,390.4	0.76%
Risk B		29,649.7		628.7	2.12%
Risk C		231.4		14.0	6.05%
Risk D		46.8		21.1	45.09%
Risk E		2,162.6		666.1	30.80%
Rated		214,062.9		2,720.3	1.27%
Total	$	214,220.6	$	2,720.3	1.27%

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, 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 period with a 95% reliability level.

At December 2016 year-end, the estimate of the unexpected loss under the economic approach amounts to $16,445. By the same token, the VaR of the credit amounts to $19,424 million mexican pesos and represents 9.07% 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 2016 closing, no loan risk is concentrated in any economic group above maximum financing limits.

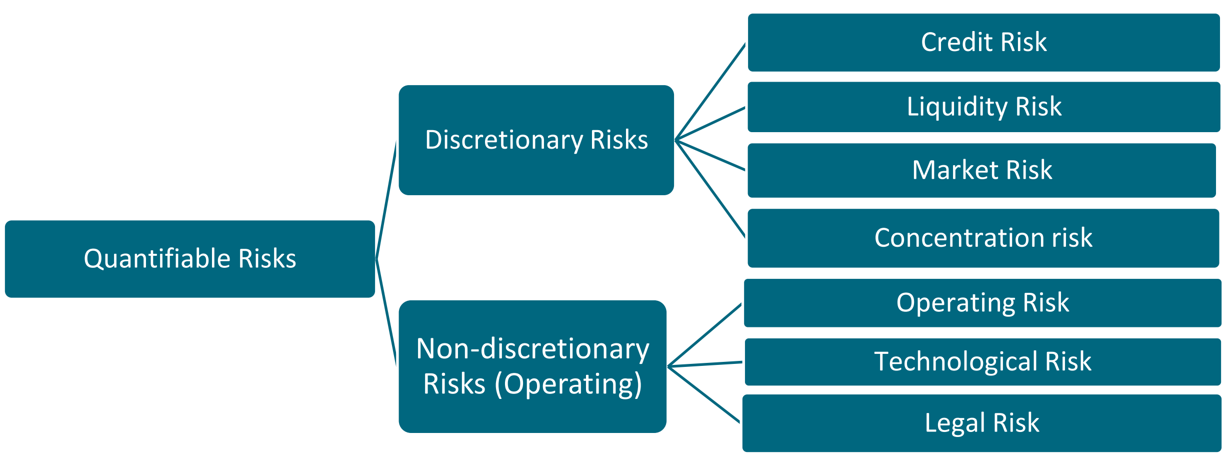
The following number of loans exceeds 10% of the basic capital individually:

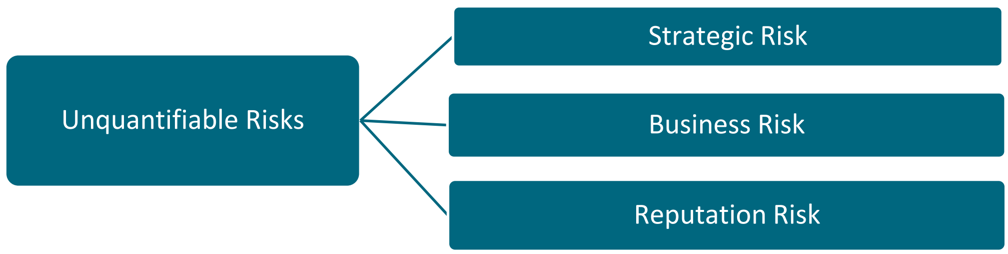
Number of loans	Total amount	Percentage of capital
34	$ 210,035	957.84%

Financing with the three highest debtors or, if applicable, groups of persons that represent common risk amounts to $56,410.

11. Operating and Non-quantifiable Risk.

The risks to which a financial institution are exposed to are classified in two large categories, quantifiable and unquantifiable. The unquantifiable risks, in turn, are divided into three types. This classification is shown below:





Non-discretionary risks, that is, the operating risk, are those derived from the business operation, but they are not a result of taking a risk position. These risks are defined below:

- Operating Risk: potential losses derived from internal control failures of deficiencies, errors in processing and storage transactions:

- Technological risk: potential losses on damages, interruption, alteration or failures derived from the use or dependence on hardware, software, systems, applications, networks, and any other information distribution channel in rendering services to the Institution's clients that result in processing and storage errors of transactions or in the information transmitted.

- Legal Risk: 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 Institutions.

Unquantifiable risks are unforeseen events that cannot conform to a statistical base that allows for measuring potential losses which, among other things, are as follows:

- Strategic Risk: potential losses due to failures or deficiencies in decision-making, implementation of procedures and actions for the business model and the Institution's strategies to be carried out, as well as the unknown risks to which the Institution is exposed for undertaking its business activity, and affect the results expected for reaching the targets agreed upon by the Institution in its strategic plan.

- Business Risk: potential losses attributable to the risks inherent to the business and changes in the economic cycle or environment in which the Institution operates.

- Reputation Risk: potential losses in the development of the Institution's activity caused by the impairment in the perception that the distinct interested parties have, both internal and external, about its creditworthiness and viability.

The operating risk management and unquantifiable risks is to formally establish the standards and policies necessary to identify, measure, monitor, limit, control, inform, and disclose non-discretionary and unquantifiable risks systematically and efficiently, which must be adhered to by all areas of the Institution that are involved in activities that imply a non-discretionary or unquantifiable risk, as well as the purpose of assuring timely identification of capital requirements and resources derived from these risks.

The Institution has the following operating risk management and unquantifiable risk policies:

- The Risk Management information Sub-Department is responsible for defining the procedures for managing inherent operating and residual risks, events of economic losses, tolerance levels, risk limits, amounts of probable potential losses due to unfavorable judicial or administrative decisions of litigations in which the Institution is a plaintiff.

- None of the procedures defined for these risks may be modified or altered, only with the authorization of the Comprehensive Risk Management Committee and annually by the Board of Directors.

- The institution will have the necessary proof to manage non-discretionary and unquantifiable risks.

- Tools will be used that have been developed or acquired, if applicable, by the Institution to manage operating risk and unquantifiable risks.

Operating risk and unquantifiable risk strategy is to identify them, manage them, quantify them (if applicable), document how to mitigate them through risk controls by processes, by considering institutional experience that might impact or impair the solvency of the Institutional above minimum requirements, thereby helping to reach institutional goals and objectives. The information of these risks should also be disclosed to the Governing Bodies for timely decision-making. Moreover, foster a culture of managing these types of risks at the Institution.

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.

The structure of the personnel who manage non-discretionary and unquantifiable risks have four elements, including the Information Risk Management Assistant Director.

In connection with the scope and nature of information and operating risk measurement systems and their reports, the Institution uses the institutional System named Operating Risk Tool, which incorporates information from the results obtained from operating risk monitoring. Moreover, everything is managed related to internal reports and regulatory reports (classifications and quantification).

Operating risk related reports (including technological and legal) are drawn up in the CAIR, through the "Risk Management and Follow-up Report" at least every quarter.

Methodologies, Limits, and Tolerance Levels.

Method for determining 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.

Non-Discretionary Risks: Operating Risk.

The methodology used for operating risk management (quantitative and qualitative analysis) is through an operating risk internal institutional model, which is based on a scorecard that considers five risk factors. The methodology is applied to the results of self-evaluations of the processes that describe the duties of the Institution and it allows for comparing the processes analyzed with two indicators, nature and efficiency, which have defined tolerance levels by risk factor and by indicator.

In addition, potential inherent risks of each process are identified, classified, and graded, based on the methodology defined by the Commission. The result is sent in an annual report named "Estimate of operating risk levels". The Commission's methodology provides product catalogues, process, line of business, type of risk, and a guide for calculating the frequency and impact of the inherent risk (without applying controls).

Considering the results obtained, potential risks inherent in the nine red area quadrant will be defined together with those responsible for the process to which it belongs, actions or additional controls to manage them.

The quantitative analysis is performed through operating risk loss events that occur at the Institution, whose information is furnished by the owners of the processes involved. These events are classified in accordance with the methodology defined by the Commission to draw up the Loss events due to operating risk" and "Update of loss events due to operating risk" regulatory reports. The Commission's methodology provides product catalogues, process, line of business, and type of risk.

An operating risk limit was defined for monitoring loss events, considering the positive net income of three years, considering methodologies and the Commission's comments.

Non-Discretionary Risks: Technological Risk.

The technological risk methodology for identifying, quantifying, and managing this risk is carried out by informatics, and it is based on five indicators, which are network security, detection and blocking of viruses, availability of critical and non-critical services. Reports are submitted with the CAIR as a risk monitoring control on at least a quarterly basis.

Its monitoring is monthly and it is carried out by comparing the levels obtained in each indicator that considers the events reported by user areas vs. tolerance levels agreed upon between informatics and those areas (Meta).

The information of this risk is inputted by informatics directly in the operating risk tool.

Legal risk.

There is an internal methodology for estimating the record of potential legal risk losses, based on the expectations of specialists of having a favorable ruling handed down and classifying them into five ranges.

- without sufficient elements
- high
- moderate
- considerable
- low

The methodology is applied by the Adversarial Juridical and Credit Department, whose personnel identify, quantify, and manage the legal risk. Reports are submitted with the CAIR as a risk monitoring control on at least a quarterly basis.

The results of potential legal risk losses are grouped and reported to the CAIR at least quarterly, by type of litigation which are as follows:

- Labor Nature
- Litigation Portfolio
- Trust
- Mercantile
- Treasury and securities trading

Risks in the Institution's capital assets

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
Loss	Loss risk due to catastrophic events of the nature that they can interrupt the operation or affect the capital assets of the Institution.	Fire, earthquake, volcanic eruption, hurricane, among other things.
External	Risk of loss caused entities not related to the Institution.	Vandalism, sit-ins, etc.

This type of risk is followed up on by considering the following criteria:

Inventory	Control measures	Economic impact
Capital Assets	Institutional Capital Asset Insurance Program	Premium payment
Repossessed Assets	Institutional Capital Asset Insurance Program	Deductibles in the event that they should materialize.

During 2016, policies covered the damages that eventually occur in national territory and abroad of the tangible and intangible assets (all types of software or packages of programs, licenses, permits, information technology, and databases), which generally include material damages, civil liability, Accidental breakage of glass including lighted ads, robbery and/or violent or non-violent assault, robbery of money and bank securities, electric, electromechanical, electronic, electromagnetic, and fixed or mobile telephony equipment, boilers and equipment subject to pressure, breakage of machinery, contractor equipment, goods in transit (transportation), works of art and difficult or impossible to replace objects, money and securities, weapons and security equipment, personal accidents, employee disloyalty and terrorism. Moreover, there is a policy that covers the vehicle fleet.

Unquantifiable risks.

The methodologies implemented concur with the stipulations of the Provisions. A brief description of them is provided below:

- Strategic risk.- The institution has a methodology based on defining documenting, and following up on executive management strategies, which are defined and approved every year, as well as presented to the Board of Directors at least every quarter, for decision-making and mitigation of the risks detected.

- Business risk.- Four indicators were defined as a methodology for managing this risk, which helps to identify the possible materialization of the risks that might affect the Institution, due to the movements in the financial environment and the economic cycle. These indicators are monitored through risk reports every month.

- Reputation risk.- A Communication Plan was defined for managing this risk of the Social Communication Department (plan, which applies and monitors the Social Communication Department. That plan considers the attention of the minimum requirements issued by the Commission in the reputation risk Provisions. The Social Communication Department follows up on the events that affect the negative perception that exists inside or outside of the Institution. This risk is reported to the CAIR as a control of this risk monitoring on at least a quarterly basis.

Operating risk results.

Results of self-evaluations.

The result obtained from the Institution's most relevant processes in terms of their nature at December 2016 month-end is as follows:

Name of the process	Nature Indicator */	Tolerance level
Treasury management	111.50	High Risk
Securities and cash custody and management	98.84	High Risk
Cash flow management and control	92.57	High Risk
General cashier's office	90.50	High Risk
Foreign exchange market	89.29	High Risk
Money market	88.29	High Risk
Capitals market	85.31	High Risk
Recovery of second tier portfolio	84.01	High Risk
Recovery of first tier portfolios, emerging programs, and former employees	79.32	Medium High Risk
Front office financial agent	78.50	Medium High Risk
Derivatives market	75.95	Medium High Risk
Credit control desk operation	70.00	Medium High Risk
Back office financial agent	69.61	Medium High Risk
It keeps securities and central file	65.99	Medium High Risk
Automatic guarantee management	65.04	Medium High Risk
Trustee	63.24	Medium High Risk
Financial and accounting information and preparation of financial statements	62.00	Medium High Risk
Electronic product management	61.61	Medium High Risk
Expense operation	57.30	Medium High Risk

*/ The higher the score, the more critical in terms of the nature of the process.

The result obtained at December 2016 closing of the most relevant processes that describe the duties of the Institution, in terms of efficiency, is as follows:

6.96

Name of the process	Efficiency indicator */	Tolerance level
Financial and accounting information and preparation of financial statements	44.75	Medium Risk
Foreign exchange market	39.29	Medium Risk
Derivatives market	37.04	Medium Risk
Treasury management	36.63	Medium Risk
Securities and cash custody and management	36.50	Medium Risk
Trustee	35.33	Medium Risk
Front office financial agent	35.00	Medium Risk
Recovery of second tier portfolio	34.76	Medium Risk
Expense operation	34.25	Medium Risk
Electronic product management	33.23	Medium Risk
Recovery of first tier portfolios, emerging programs, and former employees	32.95	Medium Risk
Capitals market	32.39	Medium Risk
Back office financial agent	32.14	Medium Risk
Money market	31.87	Medium Risk
Cash flow management and control	31.00	Medium Risk
General cashier's office	30.85	Medium Risk
Credit control desk operation	28.70	Medium Risk
Automatic guarantee management	27.00	Medium Risk
It keeps securities and central file	26.67	Medium Risk

Note.- The higher the score, the more critical in terms of the efficiency of the process.

No inherent potential operating risk was defined nor recorded in a red area in 2016, that is, area nine (high frequency and high impact); therefore, the institution complied with the established risk limit.

Results of Economic Loss Events.

Forty-seven operating loss events were recorded in 2016, with a probable impact of 10.08 million mexican pesos. The monthly average was four events with an amount of 0.84 million mexican pesos.

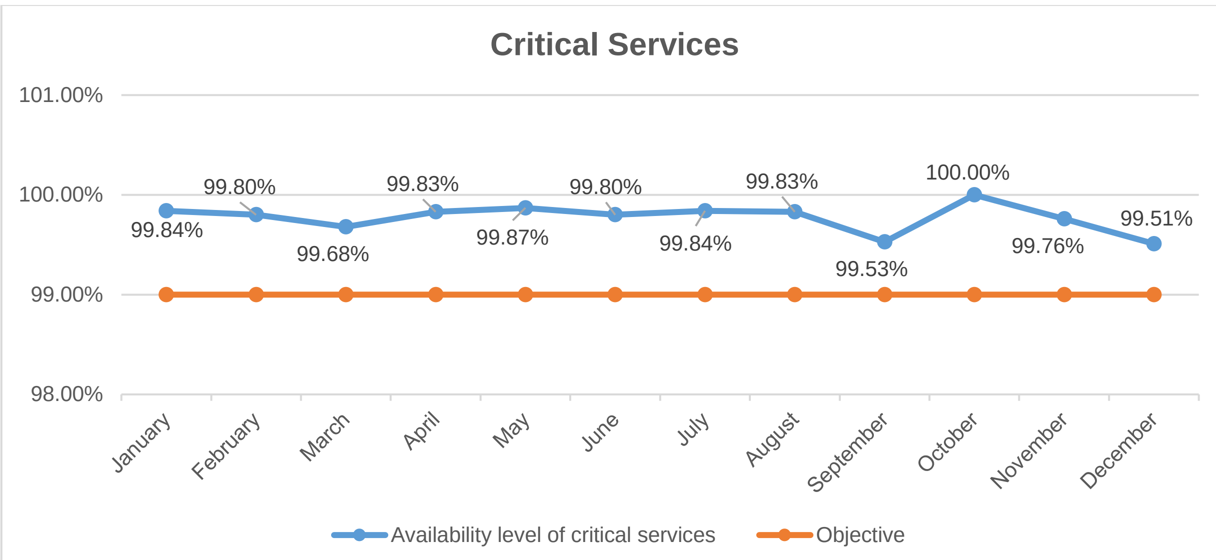
Quarter	Number of events	Likely economic impact	% of the LEI in each quarter	Average amount per month event
First	8	0.41	4.04%	0.05
Second	12	0.12	1.17%	0.01
Third	17	8.42	83.53%	0.50
Fourth	10	1.13	11.26%	0.11
Total	47	10.08	100.00%	

The consumption of the limit of economic loss events at every month end of 2016 was within the established parameters, except for July in which there was an exposure amounting to $6.5.

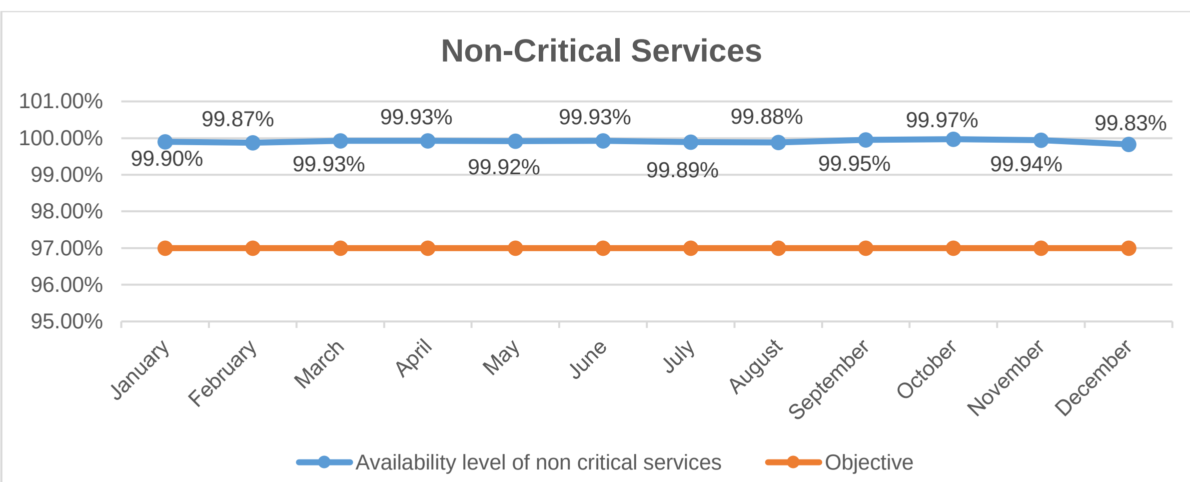
Result of Technological Risk Indicators.

During the twelve months of 2016, the network level indicator had zero intrusions. The recovery of critical services indicator under disaster drill had 100% behavior. Moreover, the detection and blocking of viruses from the network had zero impacts. The quarterly and monthly average of these three risk indicators placed in the defined goal.

The behavior obtained of the availability of critical services indicator in the twelve months of 2016 is as follows:



The behavior obtained of the availability of non-critical services indicator in the twelve months of 2016 is as follows:



The five technological risk indicators were found within the goals established for management of this Risk.

The quarterly average and monthly average behavior of the Availability of critical services and non-critical services Availability indicators in 2016 were as follows:

T. R. Indicator Description	1st Quarter 2016	2nd Quarter 2016	3rd Quarter 2016	4th Quarter 2016	2016 annual average
Availability level of critical services	99.77%	99.86%	99.73%	99.76%	99.78%
Availability level of non-critical services	99.90%	99.93%	99.91%	99. 91%	99. 91%

The quarterly and monthly average of the availability level of critical and non-critical services were within the established goals.

Result of Legal Risk.

At December 2016 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)	134.47	50.14	37.29%	15.96	31.83%
1) Labor Nature	36.41	22.40	61.52%	15.63	69.78%
2) Litigation Portfolio	10.68	9.44	88.39%	0.33	3.50%
3) Trusts	87.38	18.30	20.94%	0.00	0.00%
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 $36.41 million mexican pesos, which had a 50.45% variation with respect to the prior year, which is equivalent to an amount of $12.21. The provision reports an amount of $22.40 million mexican pesos, which had a 88.39% variation with respect to the prior year, which is equivalent to an amount of $10.51. The movement in Contingency is derived mainly from the beginning of three labor lawsuits, the update of five cases in the expectations of having a favorable ruling handed down for the institution and the corresponding restatement in the amount of the suit by operation of law. The movement in Provision is due mainly to the beginning of two labor lawsuits expected to have a low favorable ruling handed down and the update of five cases expected to have a favorable ruling handed down for the Institution.

2. The litigation portfolio reports an amount of $10.68, which had a 62.67% variation with respect to the prior year, which is equivalent to an amount of $17.93. The litigation portfolio reports an amount of $9.44, which had a 3.62% variation with respect to the prior year end, which is equivalent to an amount of $0.33. The movement in Contingency and Provision is due mainly to the satisfactory conclusion of a legal proceeding and the restatement of the amount demanded in a case.

3. The trust contingency portfolio reports an amount of $87.38, which had a 5.71% variation with respect to the prior year end, which is equivalent to an amount of $4.72. The provision of Trusts reports an amount of 18.30 million mexican pesos, which had a 0.11% decrease, which is equivalent to an amount of $0.02 million mexican pesos. The movement in Contingency and Provision is mainly due to the volatility of the MXP/USD exchange rate, a legal proceeding concluded satisfactorily, and the incorporation of two new cases with a high perspective of success.

Unquantifiable risks.

Risks in the applications to the Institution's capital assets.

Three claims were reported in 2016 that affected the institution's capital assets in the field of electronic and miscellaneous equipment, with an estimated amount of $0.01.

Strategic Risk.

The behavior of meeting the goals of executive management has been followed up on at least quarterly in 2016, to identify the main risks expertly, in order to mitigate them and eventually make decisions that do not lead to noncompliance with the goals of the Institution.

Business Risk.

Defined indicators for managing this risk were monitored in 2016, through risk reports on market, concentration, liquidity, guarantees, and credit.

Reputation risk.

The Social Communication Department met the minimum reputation risk requirements issued by the Commission in the Provisions in 2016. Events that affect the negative perception existing both internally and externally were monitored monthly. The positive and negative notes are analyzed through printed, electronic communication channels, as well as internet portals and state information.

General Internal Control Rules in a Federal Public Administration environment.

The agreement on which the Internal Control Provisions are issued and the General Internal Control Administrative Application Manual (The Agreement) issued by the Ministry of Public Office, announced in the Official Daily Gazette on July 12, 2010, whose most recent update was on May 2, 2014, presents the requirements that agencies and government entities of the Federal Public Administration and the Office of the Attorney General should observe for the reduction and simplification of administrative regulation of Internal Control issues.

The documents of "2015 fourth quarter Risk Management Work Plan Progress Report" and "Annual Report of Institutional Risk behavior at a Strategic level at 2015 year end, contained in the regulation of Internal control maters issued by the Ministry of Public Office (SFP)" were drawn up and formalized in the first quarter of 2016. Moreover, they were submitted to the Audit Committee at its meetings of February and March 2016, respectively.

In addition, the General Director of the Institution Informed the Head of the Internal Control Organ of the Institution on April 20, 2016 that due to the modifications of the standards that govern development banks issued by the Commission, beginning this year, the policies, guidelines, and procedures will be applied for Comprehensive Risk Management and for the Internal Control System, pursuant to the particularities that the Institution has as a development bank and the standards that govern it, without contravening the Provisions contained in the agreement.

The information concerning the leveraging ratio is disclosed with amounts at December 2016, in compliance with the Resolution that modifies the general provisions applicable to lending institutions, namely, Article 2 Bis, 120, Articles 180, 181, and exhibit 1-O Bis, published in the Official Daily Gazette on June 22, 2016.

TABLE I.1

STANDARD FORM FOR LEVERAGE RATIO DISCLOSURE

REFERENCE	CAPTION	AMOUNT
	On-Balance Sheet Exposure	
1	On-balance sheet items (excluding derivative financial instruments and repurchase operations and securities lending, but including collaterals received and recorded on the balance sheet).	492,525
2	(Amounts of assets deducted to determine capital Tier 1 of Basilea III)	- 3,413
3	**Exposure on balance sheet (net) (excluding derivative financial instruments and SFT, sum of lines 1 and 2)**	489,112
	Exposure to derivative financial instruments	
4	Current replacement cost associated with all transactions with derivative financial instruments (net of the allowable cash variation margin)	3,205
5	Amount of the additional factors by future potential exposure, associated to all transactions with derivative financial instruments.	2,490
6	Increase by collateral contributed in transactions with derivative financial instruments when such collateral is written-off from the balance sheet according to the operating accounting framework.	N.A.

TABLE I.1
STANDARD FORM FOR LEVERAGE RATIO DISCLOSURE

REFERENCE	CAPTION	AMOUNT
	On-Balance Sheet Exposure	
7	(Deductions to accounts receivable by margin of variation in cash contributed in transactions with derivative financial instruments)	-
8	(Exposure to derivative financial instruments on behalf of clients, in which the liquidating partner does not grant its guarantee in case of non-compliance with the obligations of the Central Counterparty)	N.A.
9	Effective adjusted notional amount of the underwriting credit derivatives.	N.A.
10	(Compensations made to the adjusted effective notional of the credit derivative financial instruments underwritten and deductions of the additional factors by the credit derivative financial instruments underwritten)	N.A.
11	**Total exposure to derivative financial instruments (sum of lines 4 to 10)**	5,695
	Exposure to securities financing operations	
12	Gross SFT assets (without compensation recognition), after adjustments for sales transactions.	22,297
13	(Accounts Payable and Receivable for offset SFTs)	- 22,277
14	Exposure Risk of Counterparty by SFT	161
15	Exposure by SFT on behalf of third parties	-
16	**Total exposure for securities financing operations (sum of lines 12 to 15)**	181
	Other exposures off-balance sheet	
17	Off-balance exposure (gross notional amount)	112,816
18	(Translation adjustments to credit equivalents)	- 101,534
19	**Off-balance items (sum of lines 17 and 18)**	11,282
	Capital and total exposures	
20	Capital Tier 1	22,657
21	Total exposures (sum of lines 3, 11, 16 and 19)	506,270
	Leverage ratio	
22	Leverage ratio of Basilea III	4.5%

TABLE II.1
COMPARATIVE OF TOTAL ASSETS AND AJUSTED ASSETS

REFERENCE	DESCRIPTION	AMOUNT
1	Total assets	515,075
2	Adjustment for investments in the capital of banking, financial, insurance or commercial entities that are consolidated for accounting purposes, but are outside of the scope of regulatory consolidation.	- 3,413
3	Adjustment for trust assets recognized on-balance sheet under the accounting framework but excluded from the measurement of the exposure to the leverage ratio.	N.A.
4	Derivative financial instruments adjustment.	5,442
5	Repurchase and securities lending operationsadjustment.	- 22,116
6	Adjustment for recognized items off-balance-sheet.	11,282
7	Other adjustments	-
8	Exposure of the leverage ratio	**506,270**

TABLE III.1

RECONCILIATION BETWEEN TOTAL ASSETS AND ON-BALANCE SHEET EXPOSURE

REFERENCE	DESCRIPTION	AMOUNT
1	Total assets	515,075
2	Derivative financial instruments transactions	- 253
3	Repurchase and securities lending transactions.	- 22,297
4	Trust assets recognized in the balance sheet under the accounting framework, but excluded from the measure of exposure to the leverage ratio.	N.A.
5	**On-balance sheet exposure**	**492,525**

TABLE IV.1

MAIN CAUSES OF THE MOST IMPORTANT VARIATIONS OF THE ELEMENTS

(NUMERATOR AND DENOMINATOR) OF LEVERAGE RATIO

CONCEPT/QUARTER	Dec-16
Core capital	22,657
Adjusted assets	506,270
Leverage Ratio	**4.5%**

NOTE 33. RESTATEMENT OF 2015 FINANCIAL STATEMENTS

During November and December 2016, the Institution recognized certain accounting corrections retrospectively in the financial statements for the year ended December 31, 2015 with the following effects:

		Balances At December 31, 2015	Restatement effects	Restated balances at December 31, 2015
ASSETS				
Held-to-maturity securities	**(a)**	$ 12,894	$ 30	$ 12,924
Other assets	**(b)**	$ 1,322	$ (148)	$ 1,174
LIABILITIES				
Negotiable instruments issued	**(b)**	$ 68,899	$ (54)	$ 68,845
Deferred credits and Advance payments from customers	**(b)**	$ 144	$ (94)	$ 50

			Balances at December 31, 2015	Restatement effects	Restated balances at December 31, 2015
STOCKHOLDERS' EQUITY					
Capital gains:					
Net income	**(a)**	$	1,254	$ 30	$ 1,284

(a) Recognition of interest derived from the gain on inflation of CBICS, which the system was undervaluing in 2015.

(b) Presentation in conformity with the criterion **"A-2 Application of Particular Standards"** in paragraph 38 of Exhibit 33 of the Sole Circular of Banks.

NOTE 34. NEW ACCOUNTING PRONOUNCEMENTS

A series of Financial Reporting Standards (FRS) and Improvements to FRS issued by the CINIF in December 2015 and 2016 are described below, which will go into effect in the year indicated. These FRS and Improvements to FRS are considered not to have a significant application in the consolidated financial information presented by the Institution.

2017

Beginning January 1, 2017, the following improvements to FRS were issued:

FRS B-13 "Events subsequent to the date of the financial statements", **FRS B-6 "Statement of financial position"**, **FRS C-19 "Financial instruments payable**", and **FRS C-20 "Financial instruments receivable"** If an agreement is reached to maintain long-term payments of a liability contracted with those payment conditions and which have fallen into default at the date on which the financial statements are authorized to be issued, that liability is allows to be classified as a long-term item at the date of the financial statements, and its early application is permitted for fiscal years beginning January 1, 2016.

FRS D-3 "Employee benefit" This standard is modified to establish that, as a basic principle, the discount rate to be used in the determination of the present value of long-term labor liabilities must be a free market rate, or a credit risk with a very low risk, which represents the value of money in time. Consequently, either the government bond market rate or high quality corporate bonds might be used indistinctly in absolute terms on a deep market, provided that high quality corporate bonds meet the requirements set forth in Appendix B "Application guides", B1 "Guide for identifying issues of high quality corporate bonds in absolute terms on a deep market". Its early application is permitted.

2018

Beginning January 1, 2018, the following FRS will go into effect:

FRS B-17 "Determination of fair value" This standard defines fair value as the starting price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the valuation date (that is, a current value based on the starting price). Determining fair value requires considering:

- The particular asset or liability that is being valued;
- The higher and best use of the asset for a nonmonetary asset, and if the asset is used in combination with other assets and on an independent base.
- The market on which an orderly transaction would take place for the asset or the liability.
- The appropriate valuation technique or techniques for determining fair value, which must maximize the use of relevant observable input data and minimize unobservable input data.

FRS C-2 "Investment in financial Instruments (FI)" The main change in this standard is the classification of FIs in which investments are made. The concept of intent of acquisition and use of an investment in an FI is ruled out to determine its classification. The business model concept is adopted in its place of management of investments in FIs in order to cash flows, which can be to obtain a contractual return of an FI on the collection of contractual yields and /or sale or obtaining gains on buying and selling them to classify the various FIs. A reclassification of investments in financial instruments is not permitted between their categories (receivable, debt at fair value, and marketable), unless the business model of the entity is changed, which seldom occurs.

FRS C-3 "Accounts receivable" The main changes consist of specifying that:

- Accounts receivable based on a contract represent a financial instrument.
- The allowance for doubtful commercial accounts is recognized from the time at which the revenue is accrued based on expected loan losses.
- It sets forth that the value of money in time should be considered from the initial recognition. Accordingly, if the effect of the present value of the receivable is significant, it should be adjusted based on present value; and
- Present an analysis of the change between the opening balance and the final balance of the allowance for doubtful accounts.

FRS C-9 "Provisions, contingencies and commitments" The term probable was adjusted in the definition of liability and the term of virtually unavoidable was eliminated. The first - time application of this FRS does not generate accounting changes in the financial statements of the entities.

NIF C-10, "Derivative financial instruments and hedge ratios"

- Hedge ratios are required to be aligned with the risk management strategy for which they qualify as hedge ratios. Otherwise, they would not qualify as such, and they might not be recognized as hedge ratios.
- The restriction was eliminated of being able to establish a hedge ratio of assets and liabilities valued at fair value.

- Specific measurements are eliminated (between 80% and 125% with respect to the variations of the hedged item) to determine if a hedge is effective, and any ineffectiveness is immediately recognized in income;
- The hedge ratio is only discontinued if the hedge instrument or hedged item no longer exist or if the risk management strategy changes, which is unusual and seldom;
- Hedge proportion is required to be rebalanced if there is ineffectiveness, either by increasing or decreasing the hedged item or the hedge instrument.
- Existing embedded derivative financial instruments are not permitted to be separated when the host instrument is a financial asset; and
- A net income and expense position is permitted to be designated as a hedged item, while that designation reflects the risk management strategy of the entity.

FRS C-16 "Impairment of financial instruments receivable" Determine when and how expected losses must be recognized for Impairment of Financial Instruments Receivable. Those losses must be recognized when credit risk increases and it is concluded that part of the future cash flows of the Financial Instruments Receivable will not be recovered. It further proposes that the expected loss be recognized based on historical experience of loan losses, current conditions, and reasonable and sustainable forecasts of the different quantifiable future events that might affect the amount of future cash flows recoverable from those Instruments. This implies that estimates should be made that must be adjusted periodically, based on the experience gained. Moreover, it has to be determined how much and when are expected to recover for Financial Instruments Receivable that accrue interest, since the recoverable amount must be at its fair value.

FRS C-19, "Financing instruments payable" This FRS sets forth:

- The possibility of subsequently valuing certain financial liabilities at their fair value subsequent to their initial recognition when certain exceptional conditions are met.
- Value long-term liabilities at their present value in their initial recognition, considering their value in time, when their term exceeds one year or outside of normal credit terms; and
- Restructuring a liability without substantially modifying future cash flows to pay it in full, the costs, and fees disbursed in this process will affect the amount of the liability and they will be amortized at a modified effective interest rate, instead of being allocated directly to net income or loss.

FRS C-20 "Financing instruments receivable" This standard specifies the classification of financial instruments in assets, based on the business model:

- If a gain is generated through a contractual return, predetermined in a contract, they are recognized at their amortized cost;
- In addition, if they are used to generate a gain based on their buying and selling, they are recognized based on their fair value. The embedded financial instrument, which modifies the flows of the principal and interest of the host instrument, will not be separated, but rather everything will be valued at their fair value, as if it were a marketable financial instrument.

NOTE 35. 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 15, 2017.

These notes are part of the consolidated financial statements at December 31, 2016 and 2015.

SIGNATURE
Dr. Jacques Rogozinski Schtulman
Chief Executive Officer

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

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

On August 4, 2017, the Internal Audit Director subscribes the consolidated financial statements, authorizing their issuance, in accordance with Article 204 of the General provisions applicable to Lending Institutions, based on their audit results, reviews and many other activities performed to verified that the financial information is enough, reliable and timely.

These notes are part of the consolidated financial statements at December 31, 2016 and 2015.

SIGNATURE

C.P. Leticia M. Pérez Gómez
Internal Audit Director

The present sheet corresponds to the last sheet of the notes to the consolidated financial statements of Nacional Financiera, S.N.C., Development Banking Institution at December 31, 2016 and 2015.