Informe Anual **2018**

INBURSA
Grupo Financiero

Misión:

Un Grupo Financiero comprometido con México, integrado por el mejor capital humano y creado para cuidar y hacer crecer de la manera más eficaz el patrimonio de nuestros clientes y socios.

Visión:

Ser líderes en el sector financiero de México en crecimiento con rentabilidad, en beneficio de clientes, colaboradores y socios.

Valores:

- Compromiso con México
- Visión a largo plazo
- Desarrollo integral del personal
- Integridad
- Austeridad
- Innovación

Capacidades clave:

- Eficiencia operativa.
- Orientación al cliente y al servicio.
- Estructura delgada con buena comunicación y liderazgo claro.
- Enfoque a resultados.
- Selección atinada de riesgos.

Annual Report 2018

Content

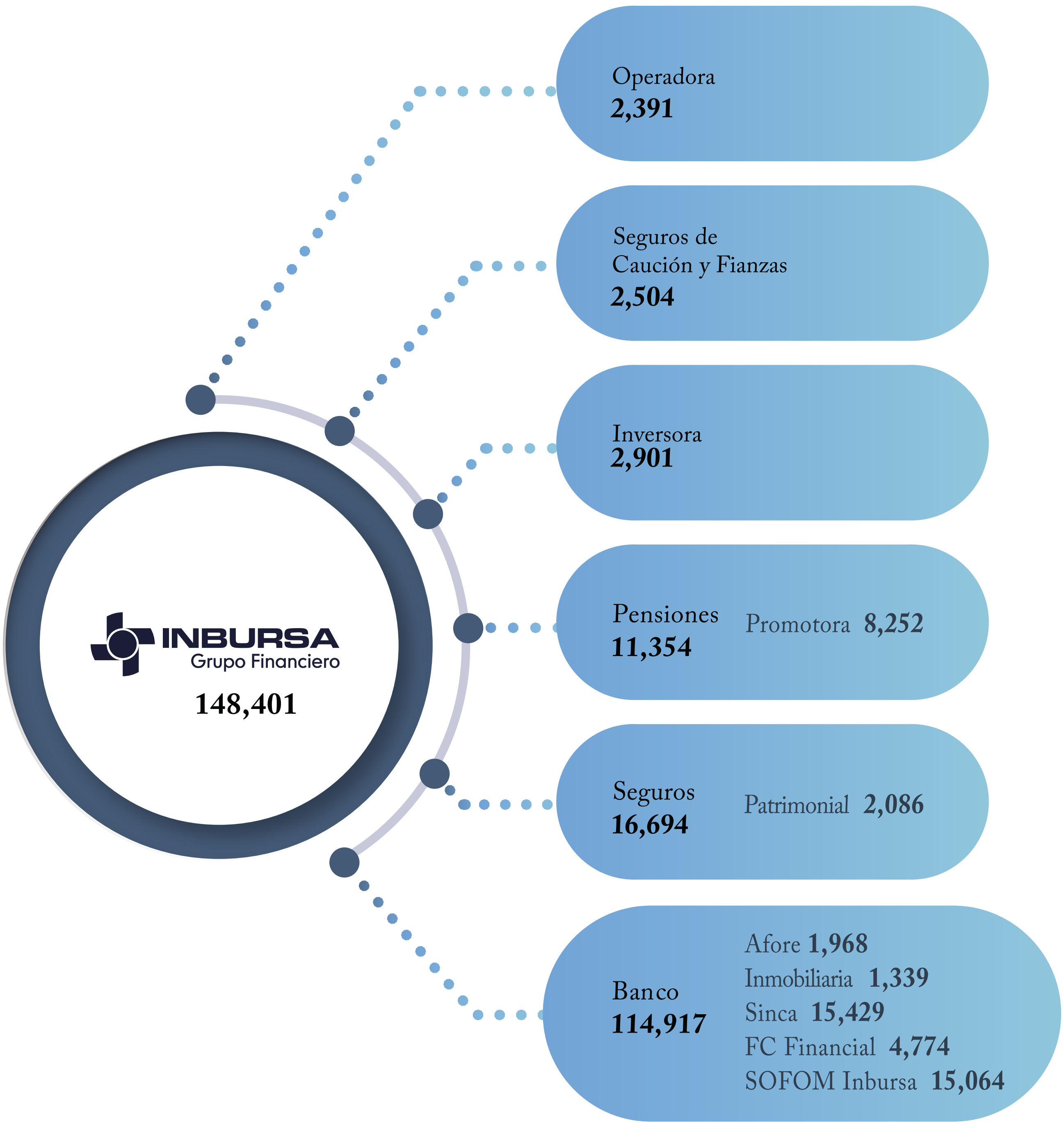
Philippe de Buyster, attributed to
(Belgum, 1595 - France, 1688)

Piety
Pietá

C. 1650-1660
Terracotta

Stockholders' Equity

Million pesos

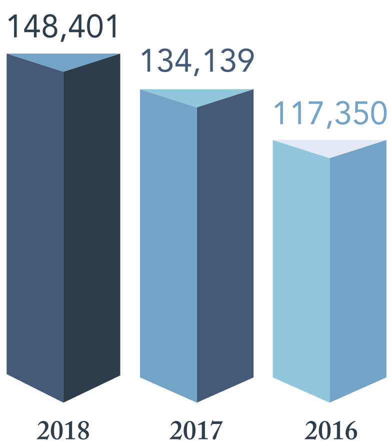


Relevant Figures

Million pesos

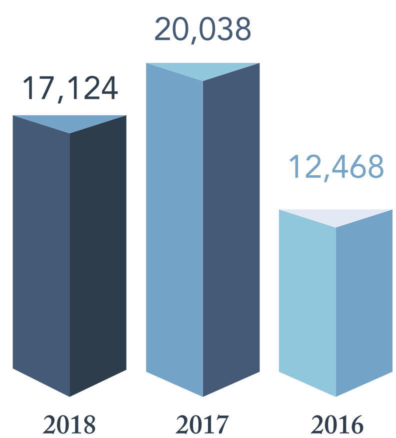
Stockholders' Equity

Million pesos



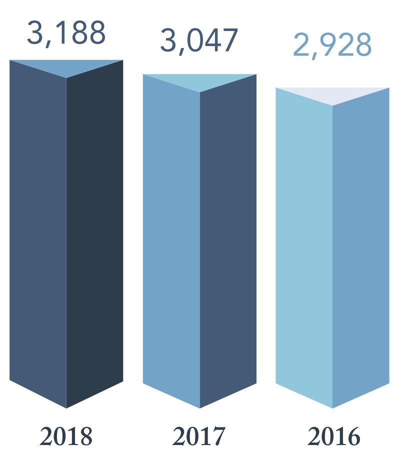
Net Profit

Million pesos



Dividends

Million pesos



Financial Information GFI

Million pesos

Net Results	2016	2017	2018	% var 2018 vs. 2017	% var 2018 vs. 2016
Grupo Financiero Inbursa	**12,468**	**20,038**	**17,124**	**-14.5%**	**37.3%**
Banco Inbursa	7,745	13,964	11,975	-14.2%	54.6%
Inversora Bursátil	399	331	509	53.8%	27.6%
Operadora Inbursa	336	730	283	-61.2%	-15.8%
Seguros Inbursa	2,312	2,975	2,895	-2.7%	25.2%
Pensiones Inbursa	864	2,467	1,035	-58.0%	19.8%
Seguros de Caución y Fianzas	1,028	527	604	14.6%	-41.2%

Assets	2016	2017	2018	% var 2018 vs. 2017	% var 2018 vs. 2016
Grupo Financiero Inbursa	**530,348**	**517,675**	**509,501**	**-1.6%**	**-3.9%**
Banco Inbursa	411,961	410,343	415,373	1.2%	0.8%
Inversora Bursátil	14,116	6,609	9,069	37.2%	-35.8%
Operadora Inbursa	1,844	2,314	2,577	11.4%	39.8%
Seguros Inbursa	88,026	72,024	72,608	0.8%	-17.5%
Pensiones Inbursa	27,002	30,103	12,001	-60.1%	-55.6%
Seguros de Caución y Fianzas	3,513	3,585	4,189	16.8%	19.2%

Stockholders' Equity	2016	2017	2018	% var 2018 vs. 2017	% var 2018 vs. 2016
Grupo Financiero Inbursa	**117,350**	**134,139**	**148,401**	**10.6%**	**26.5%**
Banco Inbursa	90,239	102,540	114,917	12.1%	27.3%
Inversora Bursátil	2,372	2,392	2,901	21.3%	22.3%
Operadora Inbursa	1,652	2,107	2,391	13.5%	44.7%
Seguros Inbursa	11,675	13,520	16,694	23.5%	43.0%
Pensiones Inbursa	11,052	13,471	11,354	-15.7%	2.7%
Seguros de Caución y Fianzas	1,727	1,940	2,504	29.1%	45.0%

Dividends Paid	2016	2017	2018	% var 2018 vs. 2017	% var 2018 vs. 2016
Grupo Financiero Inbursa	**2,928**	**3,047**	**3,188**	**4.6%**	**8.9%**

Infrastructure

	2016	2017	2018
Employees	10,465	11,441	11,827
ATMs (Inbursa and alliances)	5,007	4,685	4,928
Branches	901	908	904
Salesforce	29,492	30,908	20,851

Indicators

	2016	2017	2018
Credit Portfolio / Total Asset (Bank)	68.8%	70.5%	60.2%
Past Due Portfolio / Credit Portfolio (Bank)	2.8%	3.0%	2.4%
Preventive Reserves / Past Due Portfolio (Bank)	1.5	1.4	1.6

Shareholders´Report

Economic Environment

During 2018 the world economic environment profited from the economic growth of the United States, despite higher interest rates and a tense commercial relation with China resulting from the mutual tariffs imposed on their international commerce, part of a strategy of commercial renegotiation.

The American economy grew 2.9% during 2018 on the back of the fiscal reform which reduced the corporate tax rate from 35 to 21% boosting business utilities and driving non-residential investment which grew 7.0% during the year. Internal demand continued with a positive tendency, consumption of durable goods grew by 5.7%. Consequently, the Federal Reserve continued with the regularization of its monetary policy raising reference rates up to 2.5% from 1.5% at the close of 2017; however at the beginning of 2019 it showed signs of caution and reduced the normalization pace going forward.

In Mexico, the Gross Domestic Product increased by 2.0% propped up by the tertiary sector, in which commerce, the information from mass media and the financial sector showed expansion above the rest of the economy, partly compensating the secondary sector which continued to weaken as a result of the lower oil production platform which reached 1.7 million barrels per day.

The peso, although with some volatility, went from 19.66 pesos per dollar at the close of 2017 to 19.65 at the end of 2018, reaching a maximum value during this period of 20.96. The renegotiation of the USMCA concluded at the end of the year, reducing the uncertainty generated since the last US presidential election and is to seek approval by the respective national congresses in 2019. This agreement, together with the commercial conflicts of the US with other countries will strengthen Mexico as a very attractive place to establish more industries and export to North America.

Inflation in Mexico was 4.83% in 2018 against 6.77% the previous year, this adjustment was mainly the result of the lower price increase of gasoline during the year.

The trade balance showed a deficit of 13,704 million dollars: 2,736 million dollars more than the previous year. The crude oil balance reached a deficit of 23,190 million dollars, 4,881 million dollars more than in 2017, and the non-oil increased its surplus 26.7% to finalize in 9,485 million dollars thanks to a growth of 9.1% of manufacturing exports.

Within in its priorities the new government has established austerity, transparency and care of public finances. It is focused primarily on fighting corruption, insecurity and poverty, which are the main obstacles to trigger more and better employment opportunities in the country and the potential growth of Mexico.

To reach the proposed average annual growth of 4.0% more investment is required, as noted by the Secretary of the Treasury, a public investment increase of only 2.6% of the GDP in 2018 to at least 5.0% and private sector investment should be above 20 per cent.

Grupo Financiero Inbursa

In 2018, Grupo Financiero Inbrsa caracterized itself by important growth in the operation of its different business lines and by maintaining its infrastructure. It's worth mentioning that Banco Inbursa closed the year with 904 offices that represent 4 less in comparison with 2017; these support and complement the commercial work of 20,851 financial advisors that constitute our salesforce.

At the close of 2018, Inbursa posted profits of 17,124 million pesos in comparison with 20,038 million pesos at the close of 2017. This was the result mainly, of greater income in financial margins, fees charged, and other operating income together with lower creation of credit reserves, partially compensated by lower income resulting from financial intermediation and an increase in management costs.

The margin adjusted by credit risk increased to 39.8% going from 17,548 million pesos in 2017 to 24,533 million pesos in 2018. The result is explained mainly by an 18.6% increase in the financial margin to 32,732 million pesos, a decrease of 18.4% in the allowance for loan losses, moving from 10,053 million pesos in 2017 to 8,199 million pesos in 2018 and the 2,132 million peso catastrophic reserve release in the insurance business in 2018.

Equity was 148,401 million pesos, an increase of 10.6% when compared to the same period the previous year. It's worth mentioning the 3,188 million pesos dividend paid in May, as well as the buy-back of shares for 338 million pesos adjusted by these, equity growth would have been 13.3 percent.

Inbursa has maintained its infrastructure closing the year with 904 branches that support and complement the commercial work of 20,851 financial advisors that conform our salesforce, allowing important growth in retail deposits.

Regarding operating efficiency (management costs over financial margin, net fees and other operating revenues), according to data published on December 31, 2018 by the Comisión Nacional Bancaria y de Valores, we hold the first place amongst the main financial institutions on 28.9% due to lower operating expenses compared to revenue. The system average was 48.8% at the close of September 2018.

The overall credit portfolio was 250,173 million pesos in comparison with 289,478 million pesos at the close of 2017. The decrease is partially due to prepayments in the government portfolio (-49.6%) and the commercial activity (-12.7%).

Through our office network we capture sight and term deposits from the general public closing the year with a balance of 148,891 million pesos that represent 70.4% of traditional streams. In addition, as part of our funding strategy we have gradually replaced part of our money market deposits and stock certificates with retail deposits and development banking loans with longer terms, contributing to greater funding stability. The rating of each issue is "mxAAA" by Standard & Poors and "HR+1" from HR Ratings.

In the month of September 2017, Pensiones Inbursa, S.A., Grupo Financiero Inbursa, a subsidiary of GFInbursa, reached an agreement to relinquish most of its insurance and pensions portfolio derived from social security laws. In order to be able to complete the transaction, the investment portfolio was changed to assets at real rates and recording a profit of 1,471 million pesos before tax. The transaction took place in July 2018.

It is worth mentioning the November 2017 placing onto the markets of the stockholding Sinca Inbursa had in GMéxico Transportes, S.A.B. de C.V. Prior to the corresponding public stock offering, Sinca Inbursa, S.A. de C.V., Fondo de Inversión de Capitales – subsidiary of Banco Inbursa – had an 8.25% participation with income of approximately 5,546 million pesos after commissions and taxes.

Inbursa is a group constituted by financial bodies with over 53 years experience and results, with greater possibility of seizing growth opportunities not only through the prospects of increasing market penetration, but also as a result of the high growth expectations of our country given the latest structural reforms in addition to the dynamism that characterizes us and our firm commitment to the country's development.

The development of GFInbursa is based on its operating efficiency, service culture, wide client base, adequate risk choices, financial strength, spearhead technology, quality assets and, above all, a human element that works in coordination and is aware that everything can be improved, always seeks to optimize products and processes to continue being different and the best for our clients, collaborators and partners.

Membership of the Board of Directors

Non-Independent Directors

Regular	Alternate
Marco Antonio Slim Domit (Presidente)	
Javier Foncerrada Izquierdo (Director General)	
Arturo Elías Ayub	
Juan Fábrega Cardelus	
Marcelino Armenter Vidal	Jordi Morera Conde
José Kuri Harfush	
Héctor Slim Seade	

Independent Directors

Antonio Cosío Pando
Laura Diez Barroso Azcárraga
Agustín Franco Hernaiz
Patricio Gutiérrez Fernández
David Ibarra Muñoz

Main Inbursa Officials

Guillermo René Caballero Padilla
Juridical and Institutional Relations
General Director

José Federico Loaiza Montaño
Internal Audit Director

Raúl Reynal Peña
Management and Finance Director

Chief Executive Officers

Marco Antonio Slim Domit
GRUPO FINANCIERO INBURSA, S.A.B. DE C.V.
Chairman of the Board

Antonio Cosío Pando
COMPAÑÍA INDUSTRIAL DE TEPEJI DEL RÍO, S.A. DE C.V.
CEO

Laura Renee Diez Barroso Azcárraga
GRUPO AEROPORTUARIO DEL PACÍFICO, S.A.B. DE C.V.
Chairman and CEO

Arturo Elías Ayub
TELÉFONOS DE MÉXICO, S.A.B. DE C.V.
Communications, Institutional Relations, and Strategic Alliances Executive Officer

Juan Fábrega Cardelus
CAIXABANK, S.A.
Executive Director

Agustín Franco Hernaiz
GRUPO PISCIMEX, S.A. DE C.V.
Chairman of the Board

Marcelino Armenter Vidal
CRITERIA CAIXA
CEO

Javier Foncerrada Izquierdo
GRUPO FINANCIERO INBURSA, S.A.B. DE C.V.
CEO

Patricio Gutiérrez Fernández
GRUPO IDESA, S.A. DE C.V.
Chairman of the Board

David Ibarra Muñoz
Independent Advisor

José Kuri Harfush
JANEL, S.A. DE C.V.
CEO

Jordi Morera Conde
CRITERIA CAIXA
Banking Investment Director

Juan Antonio Pérez Simón
SANBORNS HERMANOS, S.A. DE C.V.
Chairman of the Board

Héctor Slim Seade
TELÉFONOS DE MÉXICO, S.A.B. DE C.V.
CEO

Chief Executive Officers GFI

		Joined GFI
Grupo Financiero Inbursa	Javier Foncerrada Izquierdo	1992
Inversora Bursátil	José Antonio Ponce Hernández	1991
Seguros Inbursa	Rafael Audelo Méndez	1980
Operadora Inbursa	Alejandro Ovejas Busqueta	2002
Seguros de Caución y Fianzas	Alfredo Ortega Arellano	1991
Pensiones Inbursa	Guillermo René Caballero Padilla	1994
Afore Inbursa	José Ignacio Jiménez Santos	2006

Banco

Banco Inbursa is the seventh bank of the country in terms of total assets, seventh in credit portfolio and fourth in equity to December 31, 2018. Banco Inbursa es the commercial bank with highest capitalization index amongst the main Mexican banks with an ICAP (capitalization index) of 22.09%

Banco Inbursa posted profits of 11,975 million pesos at the close of December 2018 compared to 13,964 million pesos at the close of December 2017. The financial margin showed an increase of 12.9% as a consequence of growth in interest charged going from 37,238 million pesos at the close of December 2017 to 40,289 million pesos at the close of 2018; 8.2% more. Similarly, commissions and tariffs charged represented income of 6,861 million pesos at the close of 2018 compared with 6,432 million pesos in the same period the previous year.

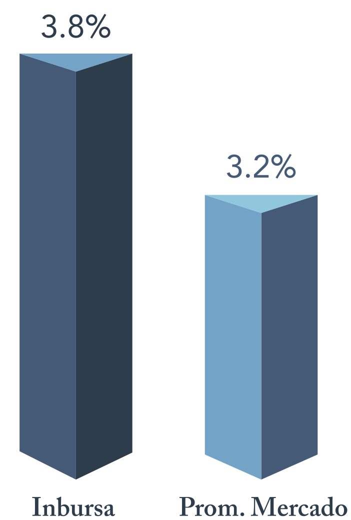
The result comes alongside less expenditure of credit reserves from 10,053 million pesos in 2017 to 8,199 million pesos in 2018; less income as a result of financial intermediation from 10,254 million pesos to 1,922 million pesos in the same period; growth of 2.45 in management and promotion costs and greater benefits in other operational income at 1,726 million pesos in 2018 which contrasts with 480 million pesos in 2017.

The overall credit portfolio was 250,173 million pesos, a decrease of 13.6% due to a reduced credit portfolio for government entities and commercial activity. The government portfolio went from 24,374 million pesos in 2017 to 12,284 million pesos in 2018, while the credit portfolio for commercial activity decreased 12.7% in the same period.

The allowance for loan losses was 9,618 million pesos. On aggregate this amounts to a hedging of 1.6x delinquency and 3.8% of the total credit portfolio.

Delinquency represented 2.4% of the total portfolio which compares with 3.0% the previous year; it is, for the most part, secured with assets whose current value is greater than the amount of credit.

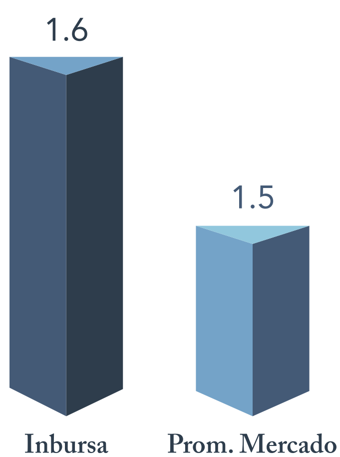
Preventive Reserves / Total Portfolio



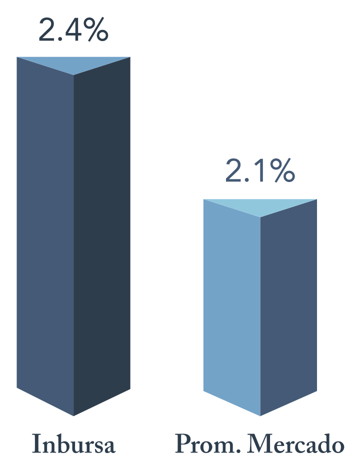
Banco Inbursa has maintained its infrastructure closing the year with 904 offices to support and complement the commercial work of 20,851 financial advisors which comprise our salesforce, allowing important growth in retail and has contributed to decrease the operating efficiency (management costs, over financial margin, net fees and other operating revenues) going from 32.8% in 2017 to 28.6% in 2018.

The acquisition in June 2015 of Banco Wal-Mart de México and its subsequent merger with Banco Inbursa (which came into effect in September of the same year), implied a long-term commercial alliance that has enabled developing and driving the joint placement of financial services, including the service

Hedging



Delincuency Index



of banking correspondents so that clients of Banco Inbursa can make deposits, withdrawals and payments at the different Walmart store formats. Growth in the credit card portfolio increased 5.5% going from 15,880 million pesos in 20176 to 16,749 million pesos in 2018.

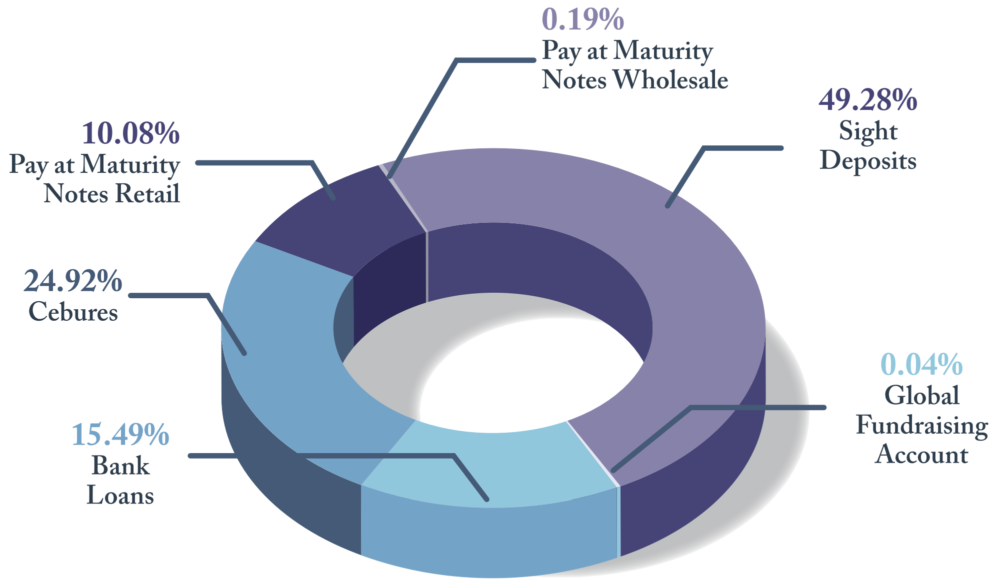
Through the office network we captured sight deposits from the general public closing the year with a balance of 149,845 million pesos which represent 70.2% of deposits. Additionally, within our funding strategy we have gradually replaced part of our short term deposits with retail deposits and with emissions of stock exchange bonds with a longer term, contributing to greater funding stability. The rating for each emission is Standard & Poors 'mxAAA' and HR Ratings 'HR+1'.

It is worth mentioning the market emissions in November 2017 of the majority of stocks held by GMéxico Transportes, S.A.B. de C.V.; before the public offering Sinca Inbursa S.A. de C.V., Fondo de Inversión de Capitales, held 8.25% participation and revenues of approximately 5,546 million pesos after commissions and taxes.

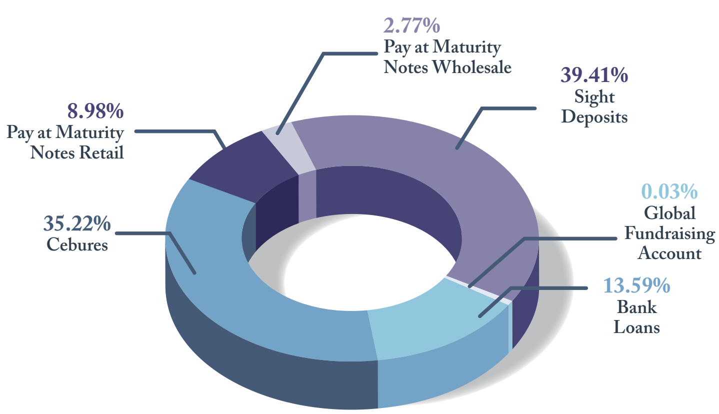
Banco Inbursa remains one of the best reserved and capitalized banks in Mexico, with a capitalization index of 22.09%, which compares favourably with that of the market average. This indicator shows, apart from financial robustness, the capability Banco Inbursa has to continue participating prudently in the credit market.

Revenue Streams

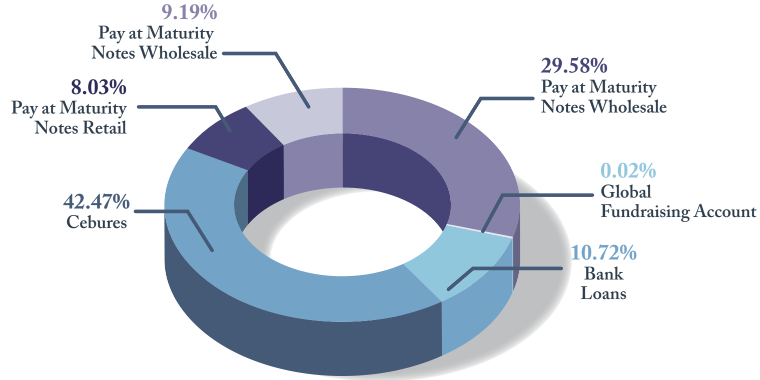
2018
(252,427 million pesos)



2017
(270,463 million pesos)



2016
(277,229 million pesos)



Afore

Afore Inbursa reached earnings of 1,138 million pesos from commissions during 2018, which is an increase of 5.2% if compared with the same period the previous year, an increase in managed assets from 114,559 million pesos in 2017 to 119,511 million pesos in 2018 and a 3.7% market share.

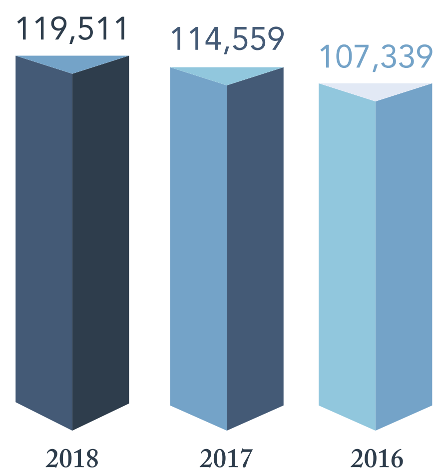
Market share in terms of client numbers was 2.0% during 2018, closing the year with 1,044,654 clients. The number of members at the close of 2018 was 424,943 – which represents a market share of 2.2 percent.

Net profit for Afore Inbursa at the close of 2018 was 511 million pesos which compares with 515 million pesos in 2017. This result is a consequence of higher earnings from commissions charged, partially compensated by an increase in management costs.

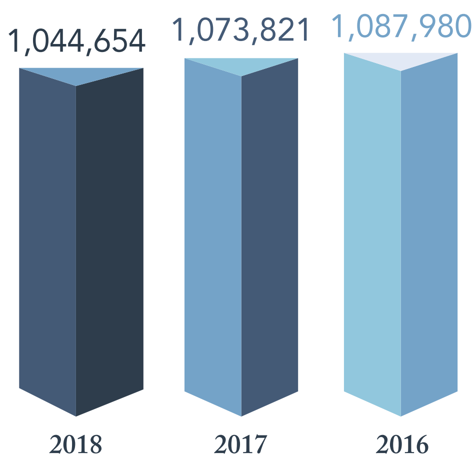
Stockholders' equity was 1,968 million pesos at the close of 2018 compared with 1,856 million pesos at the close of 2017 which represents an increase of 6.0%. During 2018 dividends worth 400 million pesos were paid; adjusting for the effect of these, the increase in stockholders' equity would have been 27.5 percent.

Managed Assets

Million pesos

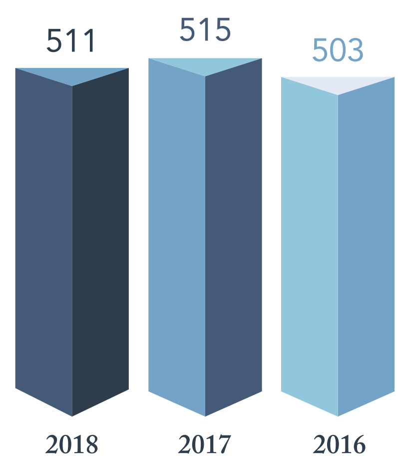


Members



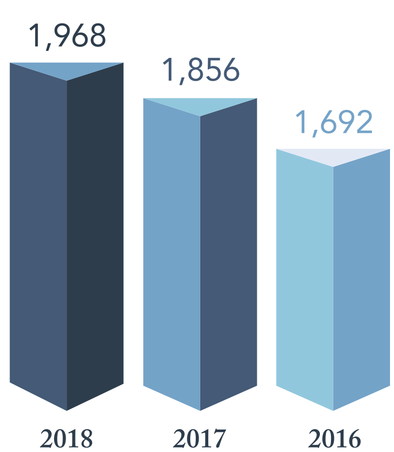
Net Profit

Million pesos



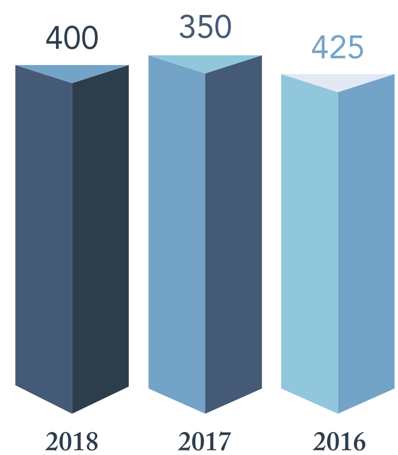
Stockholders' Equity

Million pesos



Dividends

Million pesos



Operadora

Assets managed by Operadora Inbursa amount to 110,964 million pesos at the close of the 2014 period, which means a reduction of 5.6% when compared with the previous year.

Fondo Inbursa, S.A de C.V., Fondo de Inversión de Renta Variable (INBURSA) posted assets worth 15,055 million pesos to December 31 2018 and presents an average compound annual yield in US dollars of 15.41% for the period between March 31 1981 and December 31 2018. The IBUPLUS, S.A. de C.V, Fondo de Inversión de Renta Variable (IBUPLUS) and Fondo Dinámico de Inversiones Bursátiles, S.A. de C.V., Fondo de Inversión de Renta Variable (FONIBUR) funds show portfolios at the end of year of 35,255 million pesos and 17,088 million pesos, respectively.

As far as performance of mutual funds in debt instruments is concerned, Inburex, S.A de C.V., Sociedad de Inversión en Instrumentos de Deuda para Personas Morales (INBUREX), closed 2018 with assets worth 19,302 million pesos. Fondo de Dinero Inbursa, S.A. de C.V., Fondo de Inversión en Instrumentos de Deuda (DINBUR1) had an annual yield of 6.52% and assets worth 4,529 million pesos. Likewise, Inbumax, S.A. de C.V., Fondo de Inversión en Instrumentos de Deuda (INBUMAX) had an annual yield of 7.36% and a portfolio worth 18,755 million pesos.

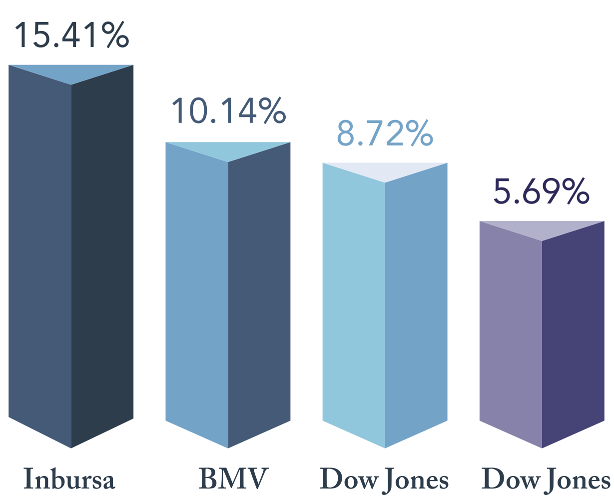
Inbumex, S.A. de C.V., Fondo de Inversión de Renta Variable, whose assets are also managed by Operadora Inbursa, closed 2018 with assets worth 274 million pesos.

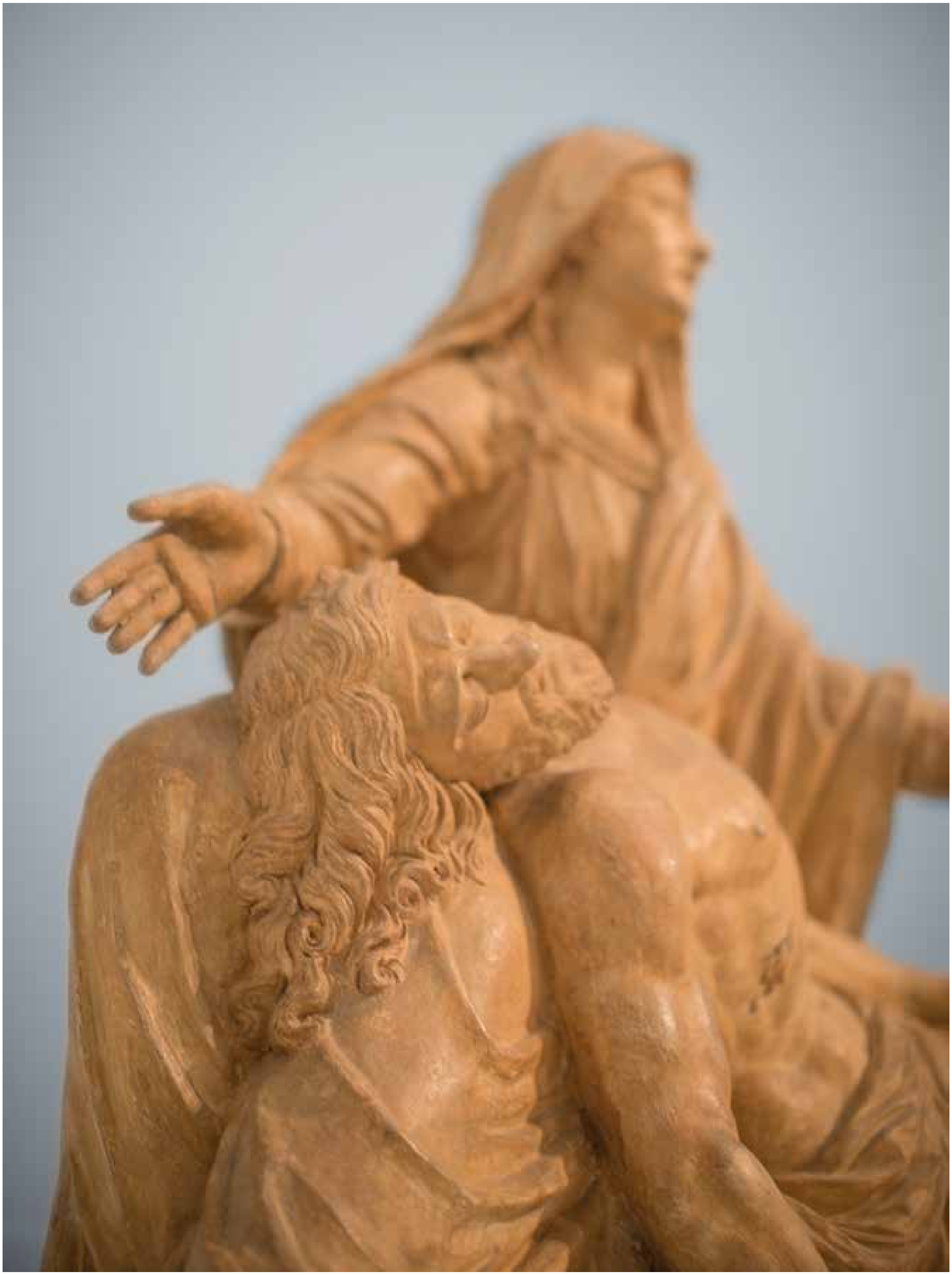
In 2018, Operadora Inbursa posted profits of 2,391 million pesos which compares with 2,107 million pesos obtained in 2017.

Operator Inbursa's stockholders' equity was 2,391 million pesos compared to 2,107 million pesos in 2017.

Average Compound Annual Yield in US Dollars

(From March 31st 1981 to December 31st 2018).





Sinca

Venture Capital Investments

In 2018, Sinca Inbursa registered net results of 942 million pesos compared with 5,766 million pesos in 2017. It is worth mentioning that the equity went from 14,483 million pesos at the close of 2017 to 15,425 million pesos at the close of 2018. Total assets in this same period amounted to 19,239 million pesos of which the majority are invested in promoted businesses.

Investments by Sinca Inbursa are registered at purchase value and their contribution to results is made through the equity method.

In November 2017, Sinca Inbursa, subsidiary of Banco Inbursa sold the majority of its stockholding in GMexico Transportes S.A.B. de C.V. Prior to the corresponding public stock offering, Sinca Inbursa had an 8.25% participation with income of approximately 5,546 million pesos after commissions and taxes.

Seguros

During 2018, total Seguros Inbursa premiums were 19,935 million pesos, which represented a 4.7% decrease when compared with the same period the previous year which was 20,909 million pesos.

Seguros Inbursa posted profits for 2,895 million pesos at the close of 2018, which compares with 2,975 million pesos in 2017. The result is explained mainly by a 40.2% decrease in the comprehensive financial income from 3,363 million pesos in 2017 to 2,012 million pesos in 2018, as a consequence of the allowance for loan losses from 822 million pesos in 2018 which contrasts with 1,009 million pesos income in 2017.

It is worth mentioning that as of December 31 2018, Seguros Inbursa released the earthquake catastrophe reserve for 2,017 million pesos and hurricane and hydrometoerological and other risks for 115 million pesos.

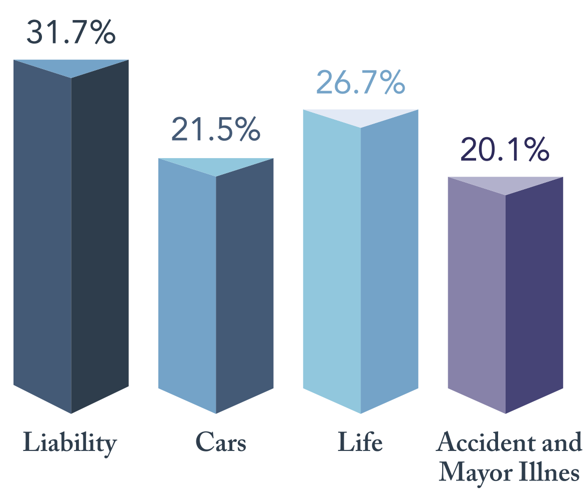
Investments in the insurance business continued increasing, going from 45,198 million pesos in 2017 to 46,801 million pesos in 2018; a 3.5% increase.

Stockholders' equity was 16,694 million pesos which compares to 13,520 million pesos in 2017.

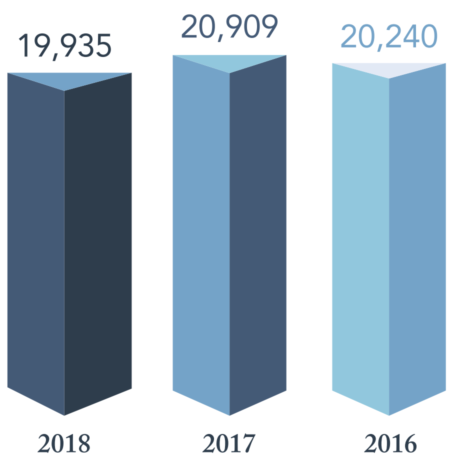
In 2018 the combined index was 96.6%%; this is taken to be operating, acquisition and accident rate costs in relation to the retained premiums.

Premiums by Business Lines

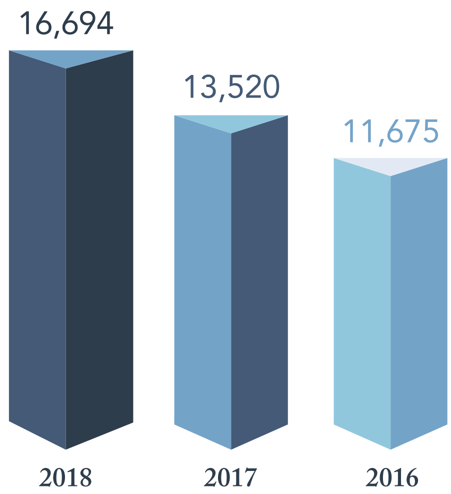
Million pesos



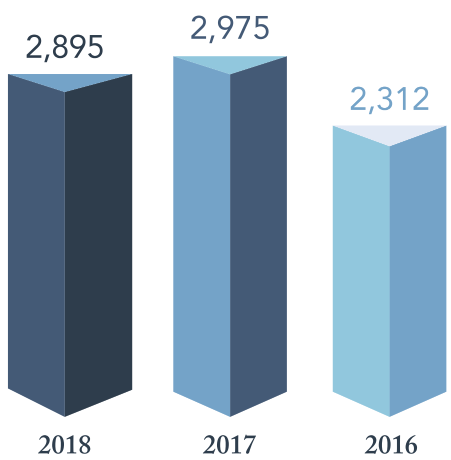
Total Premiums
Million pesos



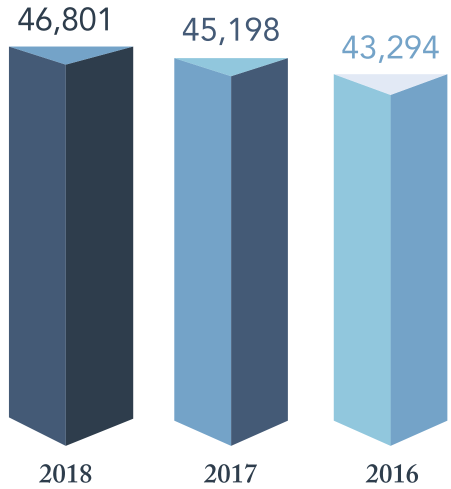
Stockholders' Equity
Million pesos



Net Profit
Million pesos

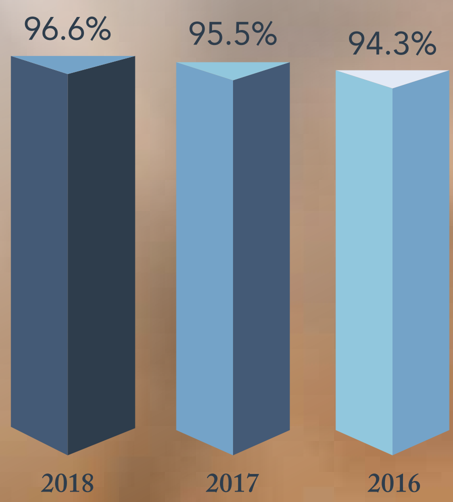


Investments
Million pesos



Combined Index

Million pesos



Pensiones

By the close of 2018, Pensiones Inbursa reported profits amounting to 1,035 million pesos compared to 2,467 million pesos the year before. The result is explained by lower revenue from the overall financing result, going from 4,275 million pesos in 2017 to 1,451 million pesos in 2018.

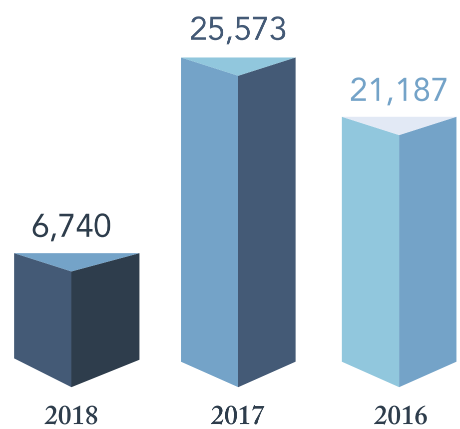
In September 2017, Pensiones Inbursa reached an agreement to relinquish most of its pension insurance portfolio derived from social security laws. In order to be able to complete the transaction, the investment portfolio was changed into assets at real rates and recording a profit of 1,471 million pesos before tax. The transaction took place in July 2018.

Investments in the pension business went from 25,573 million pesos in 2017 to 6,740 million pesos in 2019.

Stockholder equity for Pensiones Inbursa was 11,354 million pesos at the close of the 2018 fiscal exercise, 15.7% lower if compared to the close of 2017.

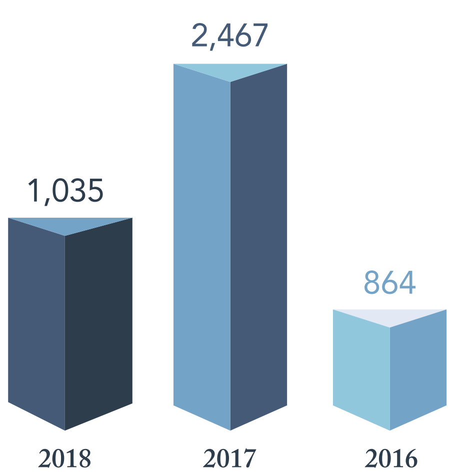
Investments

Million pesos



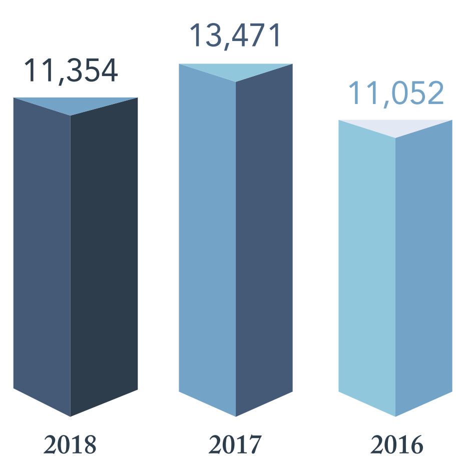
Net Profit

Million pesos



Stockholders' Equity

Million pesos



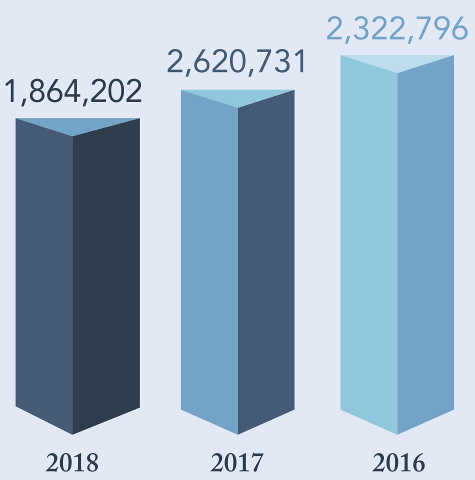
Inversora

During 2018, Inversora posted profits worth 509 million pesos, compared with 331 million pesos at the close of 2017; representing an increase of 53.8%. This result is explained by higher commissions and tariffs charged going from 543 million pesos in 2017 to 657 million pesos in 2018, 21.0% more. Additionally, there was a higher financial margin from intermediation showing a growth of 72.5 percent.

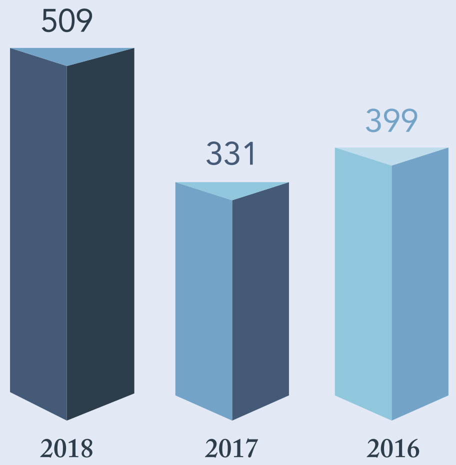
During 2018 the assets held in custody amounted 1,864 thousand million pesos.
Inversora's stockholders' equity grew by 21.3% in 2018, to reach 2,901 million pesos compared to the 2,392 million pesos in the previous year.

Inversora's stockholder equity grew 21.3% during 2018 to 2,901 million pesos compared to 2,392 million pesos the year before.

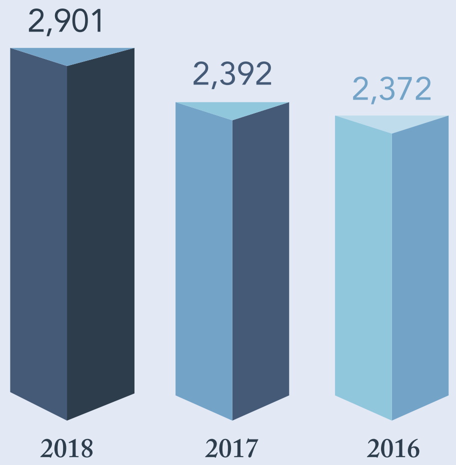
Managed Assets
Million pesos



Net Profit
Million pesos



Stockholders' Equity
Million pesos



Seguros de Caución y Fianzas

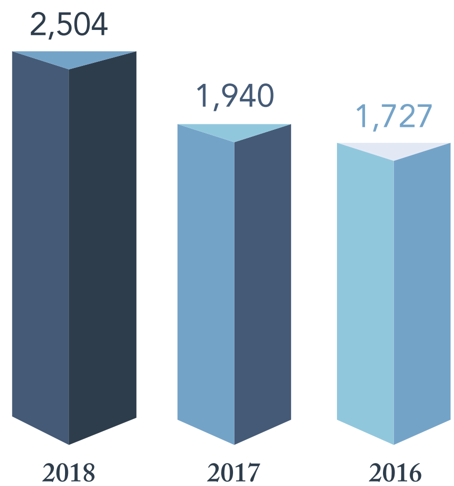
On 11 July 2018, the Secretaría de Hacienda y Crédito Público issued the proof of fiscal situation with the change of corporate name of "Fianzas Guardiana Inbursa S.A., Grupo Financiero Inbursa" to "Inbursa Seguros de Caución y Fianzas S.A., Grupo Financiero Inbursa".

At the close of the fiscal year in 31 December 2018, Seguros de Caución y Fianzas' premiums were 2,021 million pesos, representing an increase of 1.5% in comparison with 1,991 million pesos the previous year.

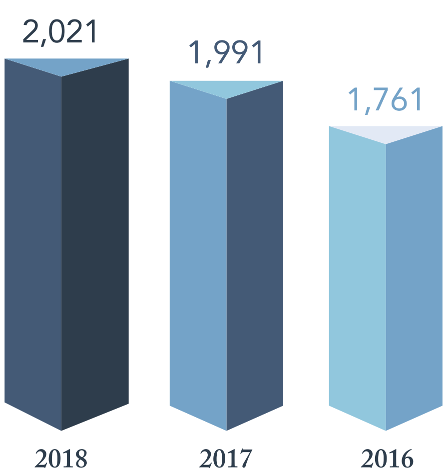
The net profits were 604 million pesos compared with 527 million pesos the previous year, which represents an increase of 14.7 per cent.

Stockholders' equity was 2,504 million pesos an increase of 29.1% if compared to the close of the 2017 period which was of 1,940 million pesos.

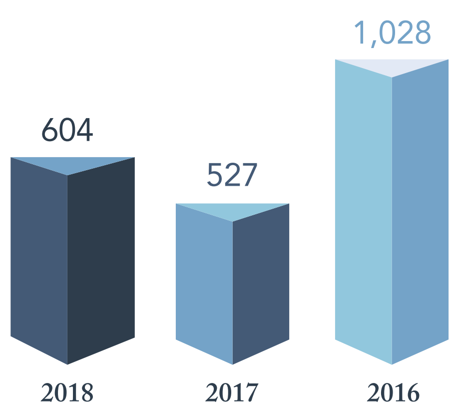
Stockholders' Equity
Million pesos



Total Premiums
Million pesos



Net Profit
Million pesos



Financial Statements

Contents

Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Financiero Inbursa, S.A.B. de C.V.

Opinion

We have audited the consolidated financial statements of Grupo Financiero Inbursa, S.A.B. de C.V. and Subsidiaries (the Financial Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, as well as the explanatory notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Financial Group were prepared in all material respects, in accordance with the accounting criteria established by the Mexican National Banking and Securities Commission (the "Commission") in the General Provisions Applicable to Financial Groups, Credit Institutions, Brokerage Houses, Regulated Multiple Purpose Financial Companies and Mutual Funds and Companies that Provide Services Thereto (the "Accounting Criteria").

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Financial Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the Ethics Code issued by the Mexican Institute of Public Accountants (IMCP Code), and we have complied with all other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 2018 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.

- **Valuation of financial derivatives (Notes 3 and 10 to the consolidated financial statements)**

  The valuation of the Financial Group's financial derivatives was considered as a key area of our audit approach due to the valuation process which requires Management, using professional judgment, to determine certain quantitative and qualitative factors that are applied for the determination of the fair value of the financial derivatives.

  In Note 3 to the accompanying consolidated financial statements, Management has described the principal accounting criteria applied to determine the valuation of both the trading and hedging financial derivatives.

  Our audit procedures included a combination of tests of controls and substantive tests of balances:

  1. We conducted interviews with Management and top executives to understand the risk management policy.
  2. We evaluated the design and implementation of the relevant controls, and also reviewed their operational efficiency.
  3. Based on a sample, we obtained a confirmation letters of certain trading and hedging financial derivatives. We checked that the information incorporated into the SII Inversiones system, where the valuation is calculated, was correct.
  4. We involved the Firm's team of specialists to review the valuation of the financial derivatives. This work included the calculation of the valuation as of September 30 and December 31, 2018 based on a sample of financial derivatives using independent variables, and in certain cases they produced valuations different from those calculated by the Financial Group, although the differences were within reasonable ranges.
  5. Our team of specialists also reviewed compliance with the requirements established in the Accounting Criteria to designate financial derivatives as hedges.
  6. We reviewed the accounting record of such instruments, as well as their correct presentation and disclosure in the consolidated financial statements as of December 31, 2018.

  The results of our audit procedures were reasonable.

- **Allowance for loan losses – commercial and consumer credit portfolio (see Notes 3 and 13 to the consolidated financial statements)**

  The Financial Group establishes the allowance for loan losses of its credit portfolio based on the portfolio classification rules established in the Accounting Criteria, which establish methodologies for evaluation and creation of reserves by type of credit. The preparation of such methodology requires Management, using professional judgment, to determine the quantitative and qualitative factors that will be applied to determine the probability of default, the severity of the loss and exposure to default of the credits. The determination of the allowance for loan losses has been considered a key audit matter due to the importance of the completeness and accuracy of the information used in its determination, as well as the correct application of the methodology established by the Commission to determine the calculation of the allowance.

Our audit procedures included a combination of tests of controls and substantive tests of balances:

1. To identify the controls established by Management for the proper inclusion of the information in the credit files during the registration processes of the credits and their administration, we performed a walk-through of internal controls to corroborate the design and implementation of such controls. We conducted tests of the controls which ensure that the information contained in the credit files that is included in the portfolio system, and is used as the basis to determine the calculation of the allowance, is complete and accurate.
2. Using a sample of files, we checked that the upload of the inputs used in the calculation engine of the allowance for loan losses was complete and accurate.

   We observed the review controls implemented by Management to follow up on the results of the calculation of the allowance for loan losses.
3. In order to ascertain the accuracy of the calculation of the allowance for loan losses, we involved our specialists in reserve models to review the application of the model and the parameters established by the Commission.
4. We reviewed the completeness of the information, and substantiated the total loan portfolio that was subject to the calculation of the allowance for loan losses.

The results of our audit procedures were reasonable.

Other information included in the document containing the audited consolidated financial statements

Management is responsible for the other information. The other information comprises the information included in the Annual Report that the Financial Group is obligated to prepare pursuant to Article 33 Fraction I, subsection b) of Title Four, First Chapter of the General Provisions Applicable to Issuers and Other Securities Market Participants in Mexico and the Instructions accompanying those Regulations. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when available, and when we do so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter. We will issue the declaration about the reading of the annual report, required by Article 33 Fraction I, subsection b) numeral 1.2. of the Regulations.

Responsibilities of Management and those charged with governance of the Financial Group in relation to the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Accounting Criteria, and for such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Financial Group'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 Financial Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Financial Group's financial reporting process.

Auditors' Responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Financial Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Conclude on the appropriateness of Management's use of the going concerns basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Financial Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Financial Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Financial Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Financial Group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated financial statements of the 2018 year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

C.P.A. Jorge Adrián Ramírez Soriano
Mexico City, Mexico
March 13, 2019

Grupo Financiero Inbursa, S.A.B. de C.V. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2018 and 2017 (In millions of Mexican pesos)

Assets	2018	2017
Funds available (Note 6)	$ 32,106	$ 21,065
Margin accounts (Note 7)	315	241
Investment in securities (Note 8)		
Trading securities	123,270	105,664
Securities available for sale	11,764	8,351
Securities held to maturity	2,214	19,958
	137,248	133,973
Repurchase agreements (Note 9)	25,816	8,184
Derivatives (Note 10):		
Trading purposes	7,864	6,623
Hedging purposes	3,708	2,812
	11,572	9,435
Valuation adjustment for hedged financial assets (Note 11)	323	436
Performing loan portfolio:		
Commercial loans:		
Commercial or corporate activity	171,637	194,205
Loans to financial entities	8,800	8,382
Loans to government entities	12,284	24,374
Consumer loans	45,978	47,609
Housing loans	5,519	6,212
Total performing loan portfolio	244,218	280,782
Non-performing loan portfolio:		
Commercial loans:		
Commercial or corporate activity	2,133	4,861
Loans to financial entities	1	
Consumer loans	2,969	3,193
Housing loans	852	642
Total non-performing portfolio	5,955	8,696
Total loan portfolio (Note 12)	250,173	289,478
Allowance for loan losses (Note 13)	(9,618)	(11,746)
Total loan portfolio, net	240,555	277,732
Receivables from insurance and surety companies, net (Note 14)	1,676	1,689
Premiums receivable, net (Note 15)	8,253	8,645
Receivables from reinsurance and surety, net (Note 16)	9,702	11,350
Other receivables, net (Note 17)	15,304	18,919
Foreclosed assets, net (Note 18)	1,311	2,006
Property, furniture and fixtures, net (Note 19)	6,793	6,314
Investments in shares (Note 20)	11,582	11,436
Other assets, deferred charges and intangibles, net (Note 21)	6,945	6,250
Total assets	$ 509,501	$ 517,675

Liabilities and Stockholders' equity	**2018**	**2017**
Deposits		
Demand deposits (Note 22a)	$ 124,232	$ 106,422
Time deposits (Note 22b)		
General public	24,659	23,717
Money market	-	7,030
	24,659	30,747
Debt securities (Note 22c)	62,589	93,056
	211,480	230,225
Bank and other loans (Note 23)		
Demand loans	3,163	6
Short-term loans	201	1,041
Long-term loans	35,736	35,714
	39,100	36,761
Technical reserves (Note 24)	47,083	66,115
Liabilities arising from sale and repurchase agreements (Note 9)	317	3,693
Derivatives (Note 10)		
Trading purposes	10,488	12,374
Hedging purposes	6,978	12,803
	17,466	25,177
Liabilities to reinsurance and surety, net (Note 25)	788	819
Other payables:		
Income taxes payable	2,338	2,699
Employee profit sharing payable	479	230
Obligations arising from settlement of transactions	24,168	4,218
Obligations arising from margin accounts	529	509
Liabilities arising from cash collateral received (Note 27)	4,180	2,125
Sundry creditors and other payables (Note 28)	7,292	6,322
	38,986	16,103
Deferred taxes, net (Note 30)	4,242	3,119
Deferred charges and income received in advance	1,638	1,524
Total Liabilities	361,100	383,536
Stockholders' equity (Note 32)		
Capital contributed		
Capital stock	14,177	14,182
Additional paid-in capital	13,201	13,201
	27,378	27,383
Earned capital:		
Capital reserves	3,563	3,114
Retained earnings	101,212	84,515
Result from holding non-monetary assets	(971)	(971)
Net income	17,100	19,985
Earned capital attributable to controlling interest	120,904	106,643
Non-controlling interest	119	113
Total stockholders' equity	148,401	134,139
Total liabilities and stockholders' equity	$ 509,501	$ 517,675

Memorandum accounts (Note 38)

	2018	2017
Transactions on behalf of third parties		
Customers current account		
Customer banks	$ 3	$ 6
Settlement of customer transactions	(59)	(12)
	(56)	(6)
Customer securities		
Customer securities in custody	1,842,054	2,561,528
Transactions on behalf of customers:		
Customer repurchase agreements	54,475	39,537
Customer collateral received in guarantee	17	601
	54,492	40,138
Total on behalf of third parties	$ 1,896,490	$ 2,601,660

The accompanying notes are part of these consolidated financial statements.

	2018	2017
Transactions on own behalf:		
Own registry accounts		
Contingent assets and liabilities	$ 24,890	$ 61,454
Assets in trust or mandate		
Trusts	378,032	379,009
Mandates	1,111	1,194
	379,143	380,203
Collateral received by Financial Group		
Government debt	72,042	35,599
Other debt securities	8,658	9,229
	80,700	44,828
Collateral received and sold or pledged as guarantee by Financial Group		
Government debt		
Other debt securities		
	46,872	27,446
	8,658	9,229
Assets in custody or administration	55,530	36,675
Loan commitments		
Uncollected interest earned on non-performing loan portfolio	358,900	423,778
Guarantees of recovery by bonds issued	94,204	92,902
Paid-out claims	1,996	1,780
Cancelled claims	8,684	10,311
Recovered claims	1,709	1,702
Liabilities under bonds in force, net	124	50
Other memorandum accounts	112	97
	20,244	23,874
Total on own behalf	1,166,129	1,224,139
Totales por cuenta propia	$ 2,192,365	$ 2,301,793

Grupo Financiero Inbursa, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2018 and 2017
(In millions of Mexican pesos)

	2018	2017
Interest income	$ 46,489	$ 43,573
Income for premiums, net	16,979	18,375
Interest expense	(19,989)	(19,488)
Decrease (increase) in technical reserves	1,167	(2,237)
Losses, claims, and other contractual obligations, net	(11,914)	(12,622)
Financial margin (Note 35)	32,732	27,601
Provision for loan losses	(8,199)	(10,053)
Financial margin after provision for loan losses	24,533	17,548
Commission and fee income (Note 36)	7,498	7,000
Commission and fee expense	(4,614)	(5,005)
Gains/losses on financial assets and liabilities (Note 37)	1,841	14,295
Other operating income (expenses)	3,926	2,172
Administrative and promotional expenses	(11,434)	(11,059)
Result of operations	21,750	24,951
Equity in income of unconsolidated subsidiaries and associates	904	1,373
Income before income taxes	22,654	26,324
Current income taxes (Note 26)	5,476	5,167
Deferred income taxes (Note 30)	54	1,119
	5,530	6,286
Net income	17,124	20,038
Non-controlling interest	(24)	(53)
Controlling interest	$ 17,100	$ 19,985

The accompanying notes are part of these consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2018 and 2017

(In millions of Mexican pesos)

	Capital contributed	
	Capital stock	Prima en venta de acciones
Beginning balances of 2017	$ 14,193	$ 13,201
Entries approved by stockholders:		
Transfer of prior year results	-	-
Dividends declared	-	-
Share repurchase reserve	-	-
Repurchase of shares	(11)	-
Total	(11)	-
Comprehensive income:		
Net income	-	-
Participation in other capital accounts of subsidiaries, net of deferred taxes	-	-
Total	-	-
Balances as of December 31, 2017	14,182	13,201
Entries approved by stockholders:		
Transfer of prior year results	-	-
Dividends declared	-	-
Share repurchase reserve	-	-
Repurchase of shares	(5)	-
Total	(5)	-
Comprehensive income:		
Net income	-	-
Participation in other capital accounts of subsidiaries, net of deferred taxes	-	-
Total	-	-
Balances as of December 31, 2018	$ 14,177	$ 13,201

The accompanying notes are part of these consolidated financial statements.

		Earned capital			
Capital reserves	Retained earnings	Result from holding non-monetary assets	Net income attributable to controlling interest	Non-controlling interest	Total stockholders' equity
$ 2,088	$ 76,304	$ (971)	$ 12,432	$ 103	$ 117,350
-	12,432	-	(12,432)	-	-
-	(1,610)	-	-	-	(1,610)
1,871	(1,871)	-	-	-	-
(845)	-	-	-	-	(856)
1,026	8,951	-	(12,432)	-	(2,466)
-	-	-	19,985	53	20,038
-	(740)	-	-	(43)	(783)
-	(740)	-	19,985	10	19,255
3,114	84,515	(971)	19,985	113	134,139
-	19,985	-	(19,985)	-	-
-	(3,188)	-	-	-	(3,188)
782	(782)	-	-	-	-
(333)	-	-	-	-	(338)
449	16,015	-	(19,985)	-	(3,526)
-	-	-	17,100	24	17,124
-	682	-	-	(18)	664
-	682	-	17,100	6	17,788
$ 3,563	$ 101,212	$ (971)	$ 17,100	$ 119	$ 148,401

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017
(In millions of Mexican pesos)

	2018	2017
Net income	$ 17,124	$ 20,038
Adjustments for items that do not require cash flows:		
Depreciation of property, furniture and fixtures	497	510
Amortization of intangible assets	15	22
Current and deferred income taxes	5,530	6,286
Equity in income of unconsolidated subsidiaries and associates	(904)	(1,373)
	22,262	25,483
Operating activities:		
Change in margin accounts	(74)	4,654
Change in investment in securities	(3,275)	(1,656)
Change in repurchase agreements	(17,632)	(7,875)
Change in derivatives (asset)	(1,241)	1,002
Change in loan portfolio, net	37,177	(6,469)
Change in receivables from insurance and surety companies	13	27
Change in premiums receivable	392	(820)
Change in receivables from reinsurance and surety	1,648	20,588
Change in foreclosed assets, net	695	5
Change in other operating assets, net	2,905	2,094
Change in deposits	(18,745)	(5,422)
Change in bank and other loans	2,339	8,671
Change in liabilities arising from settlement of transactions	(3,376)	(7,522)
Change in derivatives (liability)	(1,886)	(1,980)
Change in liabilities to reinsurance and surety, net	(31)	46
Change in other operating liabilities	25,091	(4,565)
Change in hedging instruments	(6,608)	(424)
Change in technical reserves	(19,032)	(18,957)
Payment of income tax	(5,837)	(5,306)
Net cash flows from operating activities	14,785	1,574
Investing activities:		
Payments for acquisition of property, furniture and fixtures	(976)	(423)
Proceeds for sales of permanent investments	758	3,235
Net cash flows from investing activities	(218)	2,812
Financing activities:		
Dividends paid	(3,188)	(1,610)
Repurchase of own shares	(338)	(856)
Net cash flows from financing activities	(3,526)	(2,466)
Net increase in funds available	11,041	1,920
Funds available at the beginning of the year	21,065	19,145
Funds available at the end of the year	$ 32,106	$ 21,065

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017
(In millions of Mexican pesos, except foreign currency and Exchange rates)

1. Activity and economic regulatory environmen

Grupo Financiero Inbursa, S.A.B. de C.V. (hereinafter the Group or the Financial Group), is authorized by the Treasury Department (SHCP) to operate as a Financial Group under the form and terms established by the Financial Group Law (the Law) and is subject to the supervision and oversight of the National Banking and Securities Commission of Mexico (the Commission) and Banco de México (Central Bank). The Financial Group's main activities include the acquisitions of financial sector entities shares and supervision of the activities of such entities, which activities are carried out accordance with the above-mentioned Law and is authorized by Central Bank to transact derivative financial instruments. The Group and its subsidiaries (collectively, the Financial Group) are regulated by, depending on their activities, the Commission, the Mexican National Insurance and Bonding Commission (CNSF), the Central Bank and other applicable laws.

The main activity of the subsidiaries is conducting financial transactions such as the provision of commercial banking and brokerage services, and the provision of life, accident and disease and damage insurance services in accordance with applicable Law.

In accordance with the Law, the Financial Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.

The Financial Group is subject to regulations issued by the SHCP regarding resources of illegal origin.

The Commission, within its legal powers of inspection and supervision, may order amendments or corrections, which it deems necessary, for the publication of the consolidated financial statements of the Credit Institutions.

Significant 2018 and 2017 events

i. *Release of catastrophic reserve* - As a result of the calculation through the natural risks evaluation model determined by the actuarial department of Seguros Inbursa and Patrimonial Inbursa, as of December 31, 2018, such entities carried out releases in the balance sheet of "Reserves of catastrophic risks" for earthquakes for an amount of $2,017, and hurricanes and other meteorological risks for an amount of $115. These releases were recorded directly in the consolidated statement of income under "Decrease (increase) in technical reserves".

ii. *Authorization for transformation to Inbursa Seguros de Caución* - In accordance with Articles 41 and 42 of the Law on Insurance and Bonding Companies (LISF) and that established in Annex 2.1.3-g of the Sole Circular of Insurance and Bonds (CUSF), with regard to the Law published in the Federal Official Gazette on January 10, 2014, on April 12, 2017, Management of the Financial Group requested authorization from the National Insurance and Bonding Commission (CNSF) to transform Fianzas Guardiana Inbursa to Inbursa Seguros de Caución y Fianzas. At the date of issuance of the financial statements the authorization is still being reviewed by the Commission.

iii. *Bonds issued for the New Mexico City International Airport ("NAICM")* - From 2015 through 2018, Inbursa Seguros de Caución issued seven bonds related to the design of the NAICM, which were issued for the company "FP-FREE, S. de R.L. de C.V." in its capacity as principal obligor (the Obligor) providing surety only for the oversight and design contract of the airport. At the date of these financial statements, given that the design phase ended and the oversight phase of construction will not take place due to the project's cancellation, Inbursa Seguros de Caución requested cancellation of such sureties for the Obligor.

iv. *iv. Acquisition of Energy and Infrastructure Investment Fiduciary Stock Certificates* - During March 2018, Seguros Inbursa acquired 13,260,000 certificates issued by Irrevocable Trust no. CIB/2930, "FINAIM 18", for $1,326, which was recorded on the consolidated balance sheet in "Trading securities" under "Investments in securities". The value of such securities as of December 31, 2018, according to market value, is $1,233. As mentioned in Note 43 at the date of issuance of the financial statements such investment has been settled

v. v. On May 10, 2018 Pensiones Inbursa y Pensiones Banorte, S.A. de C.V., Grupo Financiero Banorte ("Pensiones Banorte") signed an agreement of assignment of rights and obligations for 19,709 policies to Pensiones Banorte; which was authorized on June 29, 2018 through Official notice no. 06-C00-41100/36679 of the CNSF. On July 12, 2018, Pensiones Inbursa carried out the transfer of the following technical reserves: i) unearned premiums reserve of $14,905, ii) reserve for unfulfilled obligations of $54 and iii) reserve for contingency and fluctuation of investments for $587; furthermore, it carried out the transfer of 23,985,313 UDIBONOS certificates of the S461108 series, related to the investment of the proceeds from the policies through a transfer on the Mexican Stock Market without any payment. The consideration for Pensiones Inbursa in this operation was $239, which was paid on July 24, 2018

vi. *Forward Purchase Agreement* - On December 8, 2017, Banco Inbursa, S.A. Institución de Banca Múltiple, Grupo Financiero Inbursa (Banco Inbursa or the Bank) entered into a "Forward Purchase Agreement", in which it was obligated to deliver a specific number of New York Times' shares, depending on the price of the share at the time of the clearing transaction, that is, in the year 2020. On December 15, 2017, the Bank received US117 million dollars, which corresponds to the initial cash flow of the operation, which originated a record in the consolidate balance sheet within the item of "Derivatives for trading purposes", with a charge in the consolidated balance sheet in "Funds Available", for this amount.

vii. *vii. Release of reserve funds for credit risks* - On December 31, 2017, Banco Inbursa performed the release of the excess of the loan portfolio reserve for an amount of $500, recognizing the effect of the release of the excess in the reserve in the consolidated statement of income within the caption "Other operating income (expenses)" in accordance with the Accounting Criteria established by the Commission. It is important to mention that the reserves were set up in accordance with the Official Letter P-290/2017, in which the Commission authorized the special Accounting Criteria derived from the natural phenomena that affected our country at the end of 2017.

2. Basis of presentation

Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of Accounting Criteria prescribed by the Commission. Certain accounting practices applied by the Financial Group may not conform to accounting principles generally accepted in the country of use.

Monetary unit of the consolidated financial statements - The consolidated financial statements and notes as of December 31, 2018 and 2017 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the three-year periods ended December 31, 2018 and 2017 were 12.71% and 9.87%, respectively; accordingly, the economic environment is not inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rate for the three-year period ended December 31, 2018 was 15.69%. Inflation rates for the years ended December 31, 2018 and 2017 were 4.83% and 6.77%, respectively.

Consolidation of financial statements - The accompanying consolidated financial statements include the financial statements of the Financial Group, those of its controlled subsidiaries and the trusts for securitization operations as of December 31, 2018 and 2017 and for the years then ended.

Entities Regulated by the Commission

Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa (Banco Inbursa) –Acts in accordance with the Law of Credit Institutions (LIC), as well as the provisions of the Commission and Central Bank. Is a multiple-service banking institution engaged in providing banking and credit services and acting as a trust company. This institution holds a majority equity interest in the following entities:

- Afore Inbursa, S.A. de C.V., Grupo Financiero Inbursa (Afore Inbursa) - The purpose of this business is to manage employee retirement savings pursuant to the Retirement Savings System Law. Afore Inbursa is regulated by the Mexican National Commission of Retirement Savings (CONSAR).

- SOFOM Inbursa, S.A. de C.V., SOFOM, E.R., Grupo Financiero Inbursa (SOFOM Inbursa) - It is a multi-purpose financial company, regulated entity, which operates in accordance with the rules supplied by the Commission, the SHCP and Central Bank. Its main activity is to grant in lease and pure all kinds of real and personal property, as well as the granting of revolving credit for consumption through credit cards and loans to small and medium enterprises, in addition to the granting of any type of credit to manufacturers, distributors and consumers of the automotive sector.

- • FC Financial, S.A. de C.V., SOFOM, E.R., Grupo Financiero Inbursa (FC Financial) - The main business purpose is the customary and professional carrying out of credit operations, financial leasing and factoring, and, additionally, the management of various types of loan portfolio related to the leasing of real estate and non-real estate property.

- Sinca Inbursa, S.A. de C.V., Fondo de Inversión de Capitales (Sinca Inbursa) - Invests in stock of publicly held Mexican companies that need long term resources and whose main activities are related to carrying out the national development plan, thereby contributing to the country's economic and social growth. This entity is regulated by the Commission.

  Sinca Inbursa does not exercise control over the promoted companies except Inbursa Private Capital, S.A. de C.V. and Capital Inbursa, S.A. de C.V., in which it has control through the possession of 99.99% of its outstanding shares.

- Inmobiliaria Inbursa, S.A. de C.V. (Inmobiliaria) - Real Estate Company authorized and regulated by the Commission.

Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa (Inversora Bursátil) - This entity acts in terms of the Mexican Securities Trading and the general regulations established by the Commission. Its main activity is to act as a stockbroker in the securities and currency markets.

Operadora Inbursa de Fondos de Inversión, S.A. de C.V., Grupo Financiero Inbursa (Operadora Inbursa) - Carries out its transactions in conformity with the Mexican Investment Funds Act and the general regulations established by the Commission. This entity is engaged primarily in providing administrative and stock distribution and repurchasing services, as well as in managing its investment fund portfolio.

Regulated by the CNSF

Seguros Inbursa, S.A. Grupo Financiero Inbursa (Seguros Inbursa) - It is purpose is the provision protection services through the sale of insurance in life operations, accident, illness and damage operations, accepting reinsurance and refinancing and serving as a fiduciary in the terms of the LISF. Seguros Inbursa holds a majority equity interest in the following entities:

- Asociación Mexicana Automovilista, S.A. de C.V. (Asociación Mexicana Automovilistica) – An entity whose purpose is to provide all kinds of services to motorists and to tourism in general, develop educational, cultural and training activities related to their purposes, as well as provide services in relation to all procedures involved with the automotive field.

- Autofinanciamiento Inbursa, S.A. de C.V. (Autofinanciamiento Inbursa) - its business purpose is the acquisition, distribution, purchase and sale of all types of automotive vehicles, under the terms of Article 63 of the Federal Law on Consumer Protection and the regulation of marketing systems consisting of the integration of groups of consumers, published on March 10, 2006 in the Official Gazette of the Federation.

- Patrimonial Inbursa, S.A. (Patrimonial Inbursa) - is a Mexican company, whose business purpose is the provision of protection services in life operations, accidents and illnesses and damages, under the terms of the LISF.

- Servicios Administrativos Inburnet, S.A. de C.V. (Servicios Administrativos Inburnet) - Its main purpose is the provision of administrative services related to individuals who have provisional authorization from the National Insurance and Bonding Commission (the Commission), to act as insurance agents. These services are provided exclusively to Seguros Inbursa.

Inbursa Seguros de Caución y Fianzas, S.A., Grupo Financiero Inbursa (Inbursa Seguros de Caución y Fianzas) (before Fianza Guardiana Inbursa, S.A., Grupo Financiero Inbursa) - Is a commercial company authorized by the SHCP and CNSF, to practice operarion on bonds, counter-guarantees, re-guarantee or co-guarantee and the administration of guarantee trusts, in all branches permitted by Mexican legislation, according to the provisions of the LISF.

Pensiones Inbursa, S.A. (Pensiones Inbursa) - Its business purpose is to carry out life insurance operations, pension insurance, the payment of periodic rents during the life of the insured or those corresponding to their beneficiaries in accordance with insurance contracts derived from social security laws, under the terms of the LISF.

Pensiones Inbursa holds majority equity interest in Promotora Inbursa, S.A. de C.V., whose corporate purpose is the acquisition of all types of shares, social parties of all types of entities, participation in all types of tenders and tenders for the award, concessions, permits or contracts for the provision of various services, as well as the acquisition of all types of securities and the granting of any type of financing. Promotora Inbursa has the shareholding in the following Entities, according to the percentages indicated below:

Efectronic, S.A. de C.V.	99.999983%
Compañía de Servicios Multifuncionales, S.A. de C.V.	99.998000%
CE EFE Controladora, S.A. de C.V.	99.999999%
Promotora Loreto, S.A. de C.V.	99.999999%
Vale Inbursa, S.A. de C.V.	99.999999%
ClaroShop.com Holding, S.A. de C.V.	16.4630%

Entities providing supplementary services

Outsourcing Inburnet, S.A. de C.V. (Outsourcing) - Is engaged in providing professional, administrative, accounting, information technology and management services exclusively to its affiliate companies.

Asesoría Especializada Inburnet, S.A. de C.V. (Asesoría) - Provides promotional services for the sale of financial products offered exclusively by companies in the Financial Group.

SAI Inbursa S.A. de C.V. (SAI) - Provides management services, accounting, computer and general, among others, which are provided solely to affiliated companies.

SP Inbursa S.A. de C.V. (SP) - Provides management services, accounting, computer and general, among others, which are provided solely to affiliated companies.

The balances and significant transactions between the consolidated entities have been eliminated. Permanent investments in shares are valued according to the equity method.

Preparation of the consolidated financial statements - The Accounting Criteria established by the Commission in relation to the issuance of the consolidated financial statements, established that the figures should be presented in millions of pesos. As a result, some items of the consolidated financial statements, accounting records show items with balances less than the unit (one million pesos), reason why not presents figures in these areas.

Comprehensive income – Represents changes in stockholders´ equity during the year, for concepts other than capital contributions, reductions and distributions; and is comprised of the net income of the year, plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders' equity without affecting results in accordance with the Accounting Criteria by the Financial Group. The other items of comprehensive income are represented by net income and participation in other capital accounts of subsidiaries.

3. Significant accounting policies

The accompanying financial statements comply with the accounting criteria established by the Commission in the General Provisions Applicable to Groups, Credit Institutions, Brokerage Houses, Retirement Fund Administrators, Mutual Funds and Companies that Provide Services Thereto and Regulated Multiple Purpose Financing Entities (the “Provisions”) and in its rulings, which are considered a Special Purpose Framework. These policies require Management to make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and their related disclosures. However, actual results may differ from such estimates. The Financial Group´s Management, upon applying professional judgment, considers that estimates made and assumptions used were appropriate under the circumstances.

Under Criteria A-1 issued by the Commission, the Financial Group is required to apply Mexican Financial Reporting Standards (“MFRS” or “NIF’s) promulgated by the Mexican Board of Financial Reporting Standards (CINIF), except with regard to topics for which the Commission has issued specific accounting guidance on the basis that the Financial Group and its subsidiaries are subject to its regulations and carries out specialized operations.

The regulation of the Commission mentioned in the previous paragraph, is at level of recognition rules, valuation, presentation and, if applicable, disclosure, suitable for specific captions in the consolidated financial statements, as well as those applicable to its preparation.

To that effect, the Commission clarifies that it will not apply the Accounting Criteria, or the concept of supplementary, in the case of transactions that are expressly allowed or prohibited by express legislation or are not expressly authorized.

During the year ended December, 31, 2018, the standards that went into effect did not have any significant effects on the financial information of the Financial Group.

The significant accounting policies of the Financial Group's Management for the preparation of its consolidated financial statements are as follows:

Reclassifications - Certain amounts in the consolidated financial statements for the year ended December 31, 2017 have been reclassified to conform to the presentation of the 2018 consolidated financial statements.

Recognition of the effects of inflation in the financial information - Beginning on January 1, 2008, the Financial Group discontinued recognition of the effects of inflation in its financial statements, however, non-monetary assets and liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.

Offsetting of financial assets and financial liabilities - The recognized financial assets and financial liabilities are subject to offsetting so that the debit or credit balance, are presented on the consolidated balance sheet, as the case may be, if and only if, there is a contractual right to offset the amounts recognized, and the intention to settle the net amount, or to realize the asset and cancel the liability simultaneously.

Recording of the operations – Transactions in securities, repurchase and lending of securities, among others, on their own behalf or on behalf of third parties, are recorded on the date they are agreed, regardless of the date of their clearance.

Valuation of financial instruments – For the determination of the fair value of the positions in financial instruments, both, its own and those of third parties, the Financial Group uses the prices, rates and other market information provided by a price supplier, and which is authorized by the Commission, except for the operations that refers to futures contracts, which are valued at the market prices determined by the clearing house of the exchange in which they are operated.

Foreign currency transactions – Foreign currency transactions are recorded at the exchange rate in effect on the transaction date. Assets and liabilities denominated in foreign currency are adjusted at the year-end exchange rates determined and published by the Central Bank.

Revenues and expenses from foreign currency transactions are translated at the exchange rate in effect on the transaction date, except for transactions carried out by the foreign subsidiaries, which are translated at the fix exchange rate at the end of each period.

Foreign exchange fluctuations are recorded in the consolidated statements of income of the year in which they occur.

Funds available – Cash is mainly represented by bank deposits and short-term investments of not more than 90 days, which are presented at acquisition cost, plus accrued interest at the balance sheet date.

Call money transactions granted and received have a maximum term of three business days and are recorded within Funds available and Demand loans, respectively. Accrued interest income and expense from call money transactions are recorded within Financial Margin in the Statement of Income.

Other liquid notes are recognized as "other funds available" if they are collectible within 2 business days (if notional) or 5 business days (if international) after the contract is signed. Deposits with maturities in excess of the above terms are classified as Non-performing loans or Other accounts receivable.

Operations pending settlement

- **Foreign currency purchase-sale transactions**

  Las operaciones de compra venta de divisas se registran a los precios de concertación. Cuando su liquidación se pacta dentro de un plazo máximo de dos días hábiles bancarios siguientes a la fecha de concertación, estas operaciones se registran como disponibilidades restringidas (compras) y salidas de disponibilidades (ventas), contra la cuenta liquidadora correspondiente. Las utilidades o pérdidas obtenidas de las operaciones por compra-venta de divisas se reconocen en el estado de resultados, en el rubro Resultado por intermediación.

  Las operaciones por compra y venta de divisas en las que no se pacta la liquidación inmediata o fecha valor mismo día se registran en cuentas liquidadoras por el monto en moneda nacional a cobrar o por pagar. Las cuentas liquidadoras deudoras y acreedoras se presentan dentro de los rubros Otras cuentas por cobrar y Acreedores por liquidación de operaciones, según corresponda.

Margin accounts - The margin accounts given in cash (and other cash equivalents) required from entities when performing transactions with derivative financial instruments in recognized markets are recorded at face value.

Margin accounts are used to ensure compliance with the obligations related to the derivatives executed in recognized markets and refer to the initial margin, and subsequent contributions and withdrawals made during the term of the respective contracts.

As of December 31, 2018 and 2017, the Financial Group held standardized and futures derivatives operations for which deposits of financial assets were recognized (cash margin calls) intended to ensure compliance with the obligations derived from the transactions performed in recognized markets so as to better mitigate the risk of default.

Investments in securities - These consist of debt instruments and share certificates and their classification is determined based on management's intention at the time they are acquired. Each category has specific standards for recording, valuation and presentation in the financial statements, as described below:

- ***Trading securities***

  Trading securities represent investments in debt and equity securities, in proprietary position and pledged as guarantee, which are acquired with the intention of selling them to realize gains arising from changes in fair value. Upon acquisition, they are initially recorded at fair value (which includes applicable discounts or premiums). Furthermore, the cost is determined by the average costs method. They are subsequently valued at fair value, determined by using the prices calculated by the price vendor contracted by the Financial Group in accordance with the Provisions of the Commission.

  The difference between the cost of investments in debt securities plus their accrued interest and the cost of equity instruments relative to the respective fair values of such instruments is recorded in the consolidated statements of income under the caption "Gains/losses on financial assets and liabilities". The effects of valuation are classified as unrealized and, therefore, cannot be distributed to stockholders until the securities are sold.

Fair value is the amount at which an asset may be exchanged or a liability may be settled by informed, willing and interested parties in an arm's length transaction.

Transaction costs incurred in connection with the acquisition of trading securities are recognized in results on the acquisition date.

Cash dividends of shares are recognized in the results of the year in the same period in which the right to receive such payment arise.

The exchange gains or loss on foreign currency investment in securities is recognized in the results of the year.

Trading securities also include transactions pending settlement, which refer to sale and repurchase transactions of securities not settled. These transactions are valued and recorded as trading securities, recording the receipt and expense (debit or credit balance) of the securities subject to the transaction against the respective debit or credit settlement account, when the transaction is agreed upon.

The Accounting Criteria of the Commission allow for certain reclassifications from trading securities to securities available for sale, only in extraordinary circumstances (for example, a lack of liquidity in the market, no active market for them, among others), which should be evaluated and, if applicable, validated with the specific authorization of the Commission. As of December 31, 2018 and 2017, no reclassifications were made.

- ***Securities available for sale***

Securities available for sale are debt instruments and equity shares that are not held for purposes of obtaining gains on sales transactions derived from increases in value and, in the case of debt instruments, those that the Financial Group intends or is able to hold to maturity and, therefore represent a residual category, i.e., they are acquired for purposes other than those of trading securities or securities held to maturity because the Financial Group intends to trade such securities in the future prior to maturity

Upon acquisition, the securities are initially recorded at fair value plus the acquisition transaction cost, (including the discounts or markup, as applicable) and are subsequently valued at fair value

EThe Financial Group determines the increase or decrease in the fair value using prices provided by the price vendor, which uses various market factors for their determination. The yield on debt securities is recorded using the imputed interest or effective interest method depending on the nature of the security and is recognized in the consolidated statement of income under "Interest income". Unrealized gains or losses resulting from changes in fair value as reported by pricing vendors are recorded in other comprehensive income under the heading "Result from valuation of securities available for sale" net of deferred relative taxes, except when such securities are hedged in a fair value hedging relationship, in which case they are recognized in results for the year.

Cash dividends of shares are recognized in the result for the year during the same period in which the right to receive the dividend arises.

The exchange gains or loss on foreign currency-denominated investments in securities is recognized in results for the year.

The Accounting Criteria of the Commission allow for certain reclassification from securities held to maturity to securities available for sale, provided that there is no intention or capacity to hold them to maturity, as well as reclassifications from the category of trading securities to available for sale under extraordinary circumstances (for example, a lack of liquidity in the market, no active market for them, among others), which should be evaluated and, if applicable, validated with the specific authorization of the Commission. As of December 31, 2018 and 2017, no reclassifications were made.

On March 13, 2018, Pensiones Inbursa requested authorization from the CNSF to carry out a transfer of categories of debt securities classified as "held to maturity" from its capital surpluses to "available-for-sale" in the amount of $2,521, which was authorized through Official Notice No. 06-C00-22100/21809 dated April 19, 2018.

- ***Securities held to maturity***

  Securities held to maturity are those instruments whose payments are fixed or determinable and with a fixed maturity, which the Financial Group has both the intention and the ability to hold to maturity: these instruments are recorded initially at fair value, plus transaction costs from the acquisition (which includes, as the case may be, the discount or markup). Subsequently they are valued at amortized cost. Accrued interest is recorded in the consolidated statements of income using the imputed interest method under the heading "Interest income".

  The Accounting Criteria of the Commission allow for the transfer of securities classified as held to maturity to that of available for sale, provided that there is no intention or capacity to hold them to maturity, as well as reclassifications from the category of trading securities to available for sale under extraordinary circumstances (for example, a lack of liquidity in the market, no active market for them, among others), which should be evaluated and, if applicable, validated with the specific authorization of the Commission. As of December 31, 2018 and 2017, no reclassifications were made.

Impairment in the value of a financial instrument – The Financial Group must evaluate whether there is objective evidence that a credit instrument is impaired as of the consolidated balance sheet date.

A credit instrument is deemed to be impaired and an impairment loss is recognized, only if, there is objective evidence of the impairment as a result of one or more events that took place after the initial recognition of the credit instrument, which had an impact on its estimated future cash flows that can be determined reliably. It is highly unlikely that one event can be identified that is the sole cause of the impairment, and it is more feasible that the combined effect of different events might have caused the impairment. The expected losses as a result of future events are not recognized, regardless of the probability that such events might occur.

Objective evidence that a credit instrument is impaired includes observable information such as, among others, the following events:

a) Significant financial difficulties of the issuer of the instrument;
b) It is probable that the issuer of the instrument will be declared bankrupt or another financial restructuring will take place;
c) Noncompliance with the contractual clauses, such as default on payment of interest or principal;
d) Disappearance of an active market for the instrument in question due to financial difficulties, or

e) A measurable decrease in the estimated future cash flows of a group of securities since the initial recognition of such assets, even though the decrease cannot be matched with the individual securities of the group, including:

i. Adverse changes in the payment status of the issuers in the group, or

ii. Local or national economic conditions which are correlated with defaults on the securities of the Group.

As of December 2018 and 2017, the Management of the Financial Group has not identified objective evidence of impairment of a credit instrument held.

Repurchase agreements - Sale and repurchase agreements are those in which the buying party acquires for a sum of money the ownership of securities and agrees within the agreed term and against reimbursement of the same price plus a premium, to transfer ownership of similar securities to the seller. Unless otherwise agreed, the premium is for the benefit of the buying party.

For legal purposes, repurchase transactions are considered as a sale in which an agreement to repurchase the transferred financial assets is executed. However, the economic substance of repurchase transactions is that of a secured financing in which the buying party provides cash as financing in exchange for obtaining financial assets that serve as collateral in the event of default.

The repurchase transactions are recorded as indicated below:

When the Financial Group acts as the buying party on the contracting date of the repurchase transaction, the withdrawal of funds available or a credit settlement account is recognized, giving rise to an account receivable at fair value, which it is equal to the agreed price, representing the right to recover the cash delivered. The account receivable is valued subsequently during the term of the repurchase agreement at its amortized cost, recognizing the interest on the repurchase agreement.

On the contracting date of the repurchase transaction, when the Financial Group acts as the selling party, the entry of the cash or asset or a debit settlement account is recognized, as well as an account payable at fair value, which represents the obligation to repay such cash to the buying party. The account payable is valued during the term of the repurchase transaction at its amortized cost, recognizing the interest in results as they are earned.

When the transactions performed are classified as cash-oriented, the seller's intention is to obtain cash financing by using financial assets as collateral while the buying party obtains a return on its investment and, as it does not seek ownership over specific securities, receives financial assets held as collateral which serve to mitigate the exposure to risk face by the party in relation to the selling party. The selling party repays to the buying party the interest calculated based on the agreed of the repurchase agreements. Also, the buying party obtains yields on its investment, which is secured by the collateral.

When the transactions performed are considered as securities-oriented, the intention of the buying party is to temporarily access certain specific securities held by the selling party, by granting cash as collateral, which serves to mitigate the exposure to risk faced by the selling party in relation to the buying party. In this regard, the selling party pays the buying party the interest agreed at the repurchase agreement rate for the implicit financing obtained on the cash that it received, which such repurchase rate is generally lower than that which would have been agreed in a "cash-oriented" repurchase agreement.

Regardless of the economic intent, the accounting for "cash-oriented" or "securities-oriented" repurchase transactions is identical.

Noncash collateral granted and received in repurchase agreements - In relation to the collateral granted by the selling party to the buying party (other than cash), the buying party recognizes the collateral received in memorandum accounts, following the valuation guidelines for the securities established in Criterion B-9, Custody and Management of Assets (Criterion B-9), issued by the Commission. The selling party reclassifies the financial asset in its consolidated balance sheet to restricted assets, which follows the valuation, presentation and disclosure standards as applicable.

Memorandum accounts recognized for collateral received by the buying party are cancelled when the repurchase transaction matures or when the selling party defaults.

When the buying party sells or pledges the collateral, the proceeds from the sale are recorded, and a liability for the obligation to repay the collateral to the selling party (measured initially at the fair value of the collateral) and is subsequently valued at fair value in a sale, and at amortized cost if is considered as a pledge in another repurchase transaction (in which case, any difference between the price received and the fair value of the liability is recognized in results of the year). For purposes of presentation, the liability is offset by accounts receivable referred to as Repurchase agreements, which is generated when the purchases are reported. The debit or credit balance is shown under Repurchase agreements or sold collaterals or pledged as security as appropriate.

Similarly, if the buying party becomes a selling party due to another repurchase transaction with the same collateral as the initial transaction, the interest on the second repurchase transaction must be recognized in results for the year as earned, based on the liability valued at amortized cost.

For transactions where the buying party sells or pledges the collateral received (for example, when another repurchase or securities loan transaction is agreed), memorandum accounts are used to control such collateral sold or pledged, which is valued using the standards applicable to custody transactions included in Criterion B-9

Memorandum accounts which are recognized for collateral received that in turn was sold or pledged by the buying party are cancelled when the collateral sold is purchased to return it to the selling party, or when the second transaction matures or the other party defaults.

Derivatives - The Financial Group carries out two types of transactions:

- *Trading purposes* - Its objective is different from that of covering open risk positions by assuming risk positions as a participant in the derivatives market.

- *Hedging purposes* - Its objective is to mitigate the risk of an open risk position through operations with financial derivatives instruments.

The Financial Group initially recognizes all its derivatives (including those that are part of a hedging relationship) as assets or liabilities (depending on the related rights and/or obligations) in the consolidated balance sheet at fair value, which is presumed to be equal to the price agreed in the transaction.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

Subsequently, all derivatives are valued at fair value without deducting any transaction costs incurred during the sale or any other type disposal, recognizing the valuation effect in results for the period under "Gain/losses on financial assets and liabilities", except when the derivative financial instruments forms part of a cash flow hedge relationship.

The rights and obligations of derivatives that are traded in recognized markets or stock exchanges are considered to have matured when the risk position is closed, i.e., when an opposite derivative with the same characteristics is traded in such market or stock exchange.

The rights and obligations of derivatives that are not traded in a recognized markets or stock exchanges are considered to have matured when they reach their maturity date, when the rights are exercised by either party or when the parties early exercise the rights in accordance with the related conditions and the agreed consideration is settled.

Derivatives are presented in a specific heading of assets or liabilities, depending on whether their fair value (as a result of the rights and/or obligations established) refers to a debit or credit balance, respectively. Such debit or credit balances may be offset as long as they comply with the respective offsetting rules.

The Financial Group presents this item under the caption "Derivatives" (debit or credit balance) on the consolidated balance sheet by segregating derivatives for trading purposes from derivatives for hedging purposes.

Derivatives held for trading

– *Forward and future contracts for trading:*

Forward and future contracts for trading are those that establish an obligation to buy or sell an underlying asset on a future date at a pre-established amount, quality and price on a trading contract. Both forward and futures contracts are recorded by the Financial Group as assets and liabilities in the consolidated balance sheets at the exchange rate established in the related underlying asset purchase-sale contract, to recognize the right and the obligation to receive and/or deliver the underlying asset, and the obligation to receive and/or deliver the cash equivalent to the underlying asset specified in the contract.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

For forward contracts, the exchange difference between the exchange rate agreed in the contract and the monthly forward exchange rate, as well as the valuation effects, are recorded in the consolidated statements of income under "Gains/losses on financial assets and liabilities".

For futures contracts, a margin account us created whose counterparty is a clearing house, so as to minimize counterparty credit risk.

The margin account given in cash, does not form part of the initial net investment of the derivative, which is accounted for separately from the derivative.

For financial statement classification purposes, with respect to derivative instruments that incorporate both rights and obligations, such as forwards and futures, such rights and obligations are offset by contract and the result net debit o credit balances are recognized a derivative asset or liability, respectively.

– *Option contracts:*

Options are contracts that, in exchange for a premium, grant the right, but not the obligation, to buy or sell a specified number of underlying instruments at a fixed price within a specified period. For the rights that grant the options are divided in purchase options (call) and sale options (put).

The holder of a call has the right, but not the obligation, to purchase from the issuer a specified number of underlying assets at a fixed price (exercise price) within a specified period.

The holder of a put has the right, but not the obligation, to sell a specified number of underlying assets at a fixed price (exercise price) within a specified period.

Options may be exercised at the end of the specified period (European options) or at any time during such period (American options); the exercise price is established in the contract and may be exercised at the holder's discretion. The instrument used to set this price is the reference value or underlying asset. The premium is the price paid by the holder to the issuer in exchange for the rights granted by the option.

The Financial Group records the premium paid/received for the option on the transaction date as an asset or liability. Any fluctuations in the fair value are recognized in the consolidated statements of income under "Gain/losses on financial assets and liabilities". When an option matures or is exercised, the premium is canceled against results for the year, also under "Gains/losses on financial assets and liabilities".

Recognized options that represent rights are presented, without offsetting, as a debit balance under the asset line item "Derivatives". Recognized options that represent obligations are presented, without offsetting, as a credit balance under the liability line item "Derivatives".

Trading option contracts are recorded in memorandum accounts at their exercise price, multiplied by the number of securities, distinguishing between options traded on the stock market from over-the-counter transactions, in order to control risk exposure.

All valuation gains or losses recognized before the option is exercised or before its expiration, are treated as unrealized and are not capitalized or distributed to stockholders until realized in cash.

– *Swaps:*

A swap contract is an agreement between two parties establishing a bilateral obligation for the exchange of a series of cash flows within a specified period and on previously determined dates.

The Financial Group in the consolidated balance sheet an asset and a liability arising from the rights and obligations of the contractual terms, valued at the present value of the future cash flows to be received or delivered according to the projection of the implicit future rates to be applied, discounting the market interest rate on the valuation date using curves provided by the price vendor, which are reviewed by the market risk area.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

Subsequently, all derivatives other than hedging derivatives are valued at fair value, without deducting any transaction costs incurred during the sale or any other type of disposal, recognizing the valuation effect in results of the year.

If the counterparty credit risk of a financial asset related to the rights established in the derivatives is impaired, the book value must be reduced to the estimated recoverable value and the loss is recognized in the results of the year. If the impairment situation subsequently disappears, the impairment is reversed up to the amount of the previously recognized impaired loss, recognizing this effect in the results of the period in which this occurs.

A swap contract may be settled in kind or in cash, according to the conditions established.

For purposes of classification in the financial information, with financial derivatives instruments that incorporate rights and obligations at the same time, such as swaps, the asset and liability positions are offset contract by contract; if the offsetting results in a debit balance, the difference is presented as part of the assets, under the heading "Derivatives". If a credit balance is generated, it is presented as part of the liabilities under the heading "Derivatives" in the consolidated balance sheet.

Hedging derivatives

The Financial Group Management enters into transactions with derivatives for hedging purposes using swaps.

Financial assets and liabilities which are designated and fulfill the requirements to be designated as hedged items, as well as financial derivatives which form part of a hedging relationship, are recognized in accordance with the hedge accounting provisions for the recognition of the gain or loss on the hedging instrument and of the hedged item, in conformity with that established in Criterion B-5, Derivatives and hedging transactions issued by the Commission.

A hedge relationship qualifies for designation as such when all the following conditions are fulfilled:

- Formal designation and sufficient documentation of the hedging relationship.
- The hedge should be highly effective in achieving the offsetting of the changes in fair value or in the cash flows attributable to the risk covered.
- For cash flow hedges, the forecast transaction proposed for hedging should be very likely to occur.
- The hedge should be reliably measurable.
- The hedge should be valued continuously (at least quarterly).

All the derivatives for hedging purposes are recognized as assets or liabilities (depending on the rights and/or obligations that they contain) on the consolidated balance sheet, initially at fair value, which is the price agreed in the transaction.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged and forms part of the heading "Derivatives" on the consolidated balance sheet and the interest accrued is recorded in the consolidated statements of income under the heading "Interest income" or "Interest expense".

Derivatives transactions for hedging purposes are valued at market price and the effect is recognized depending on the type of accounting hedge, as follows:

Fair value hedges- Represents a hedge against exposure to changes in the fair value of recognized assets and liabilities or of firm commitments not recognized, or a portion of both, which is attributable to a specific risk and which may affect the results for the period. The primary position for the risk hedged and the derivative hedge instrument are valued at market price with the net effect recorded in of results of the period in the heading "Gains/losses on financial assets and liabilities”. In fair value hedges, the adjustment to the book value for the valuation of the hedged item is presented in a separate heading on the consolidated balance sheet.

Cash flow hedge- Represents a hedge against exposure to variations in the cash flows of a forecast transaction which (i) is attributable to a specific risk associated with a recognized asset or liability, or with a highly probable event, and which (ii) may affect the result of the period. The hedged derivative instrument is valued at market price. The effective portion of the gain or loss on the hedge instrument is recorded in the comprehensive profit and loss account as part of stockholders’ equity and the ineffective portion is recorded in the results for the year as part of the “Gains/losses on financial assets and liabilities".

The effective hedge component recognized in stockholders’ equity associated with the hedged item, is adjusted to equal the lower (in absolute terms) of the accumulated gain or loss on the financial hedge derivative since its inception, and the accumulated change in the present value of the future cash flows expected from the hedged item since the inception of the hedge.

Any residual gain or loss of the hedge instrument is recognized in the results for the period.

The Financial Group suspends hedge accounting when the derivative has matured, when is canceled or exercised, when the derivative is not sufficiently effective to offset the changes in the fair value or cash flows from the hedged item, when it is established that the forecast transaction will not occur, or when it is decided that the hedge designation will be canceled.

When fair value hedge accounting is no longer applied prospectively, any adjustment to the book value for the valuation of the hedged item attributable to the hedged risk, is amortized in the results for the period. The amortization is performed by the straight-line method over the remaining life of the item originally hedged.

When a cash flow hedge accounting is suspended, the accumulated gain or loss related to the effective portion of the hedge derivative that was recognized in the stockholders' equity as part of comprehensive income during the period of time that the hedge was effective, remains in stockholders' equity until the effects of the forecast transaction affect results. If it is no longer probable that the forecast transaction will occur, the gain or loss that was recognized in the comprehensive income account is recorded immediately in results. When the coverage of a forecast transaction is demonstrated to be effective on a prospective basis and subsequently is not highly effective, the accumulated gain or loss for the effective portion of the hedge derivative that was recognized in stockholders’ equity as part of compressive income during the period that the hedge was effective, is reclassified proportionally to results, when the forecast transaction is affected in the results.

Derivative packages listed on recognized markets as a single instrument are recognized and valued collectively (i.e. without disaggregating each financial derivative individually). Derivative packages not listed on a recognized markets are recognized and valued on a disaggregated basis for each derivative that comprises such packages.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged, as part of the heading of “Derivatives” on the consolidated balance sheet

Embedded derivatives - An embedded derivative is a component of a hybrid (combined) financial instrument that includes a non-derivative contract (known as the host contract) in which certain cash flows vary in a manner similar to that of a standalone derivative. An embedded derivative causes certain cash flows required by the contract (or all cash flows) to be modified according to changes in a specific interest rate, the price of a financial instrument, an exchange rate, a price or rate index, a credit rating or index, or other variables allowed by applicable laws and regulations, as long as any non-financial variables are not specific to a portion of the contract. A derivative that is attached to a financial instrument but that contractually cannot be transferred independently from that instrument or that has a different counterparty, is not an embedded derivative but a separate financial instrument (i.e., in structured operations).

An embedded derivative is separated from the host contract for purposes of valuation and to receive the accounting treatment of a derivative, only if all the following characteristics are fulfilled:

a) The economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract;

b) A separate financial instrument that has the same terms of the embedded derivative would comply with the definition of a derivative, and

c) The hybrid (compound) financial instrument is not valued at fair value with changes recognized in earnings (for example, a derivative that is not embedded in a financial asset or a financial liability valued at fair value should not be separated).

The effects of the valuation of embedded derivatives are recorded under the same line item in which the host contract is recorded.

A foreign currency embedded derivative in a host contract, which is not a financial instrument, is an integral part of the agreement and therefore clearly and closely related to the host contract provided that it is not leveraged, does not contain an optional component and requires payments denominated in:

- The functional currency of one of the substantial parties to the contract;

- The currency in which the price of the related good or service that is acquired or delivered is regularly denominated for commercial transactions around the world;

- A currency which is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction is performed (i.e. a stable and liquid currency which is commonly used in local transactions, or in foreign trade transactions).

There is no established valuation of the embedded derivatives denominated in foreign currency contained in contracts when such contracts require payments in a currency commonly used to purchase or sell nonfinancial items in the economic environment in which the transaction is carried out (i.e. a stable and liquid currency commonly used in local transactions, or in foreign trade).

Loan portfolio - Represents the outstanding balance of cash disbursed to borrowers, plus the uncollected interest earned. The "Allowance for loan losses" is presented as a reduction to the balances of the portfolio.

The Financial Group has classified its loan portfolio as follows:

a. *Commercial:* Direct or contingent loans, including bridge loans denominated in Mexican pesos, foreign currency, investment units (UDI) or multiples of the minimum wage (VSM), together with any accrued interest, which are granted to corporations or individuals with business activities and are used in connection with commercial or corporate activity; includes loans granted to financial entities (other than interbank loans with maturities of less than 3 business days), loans arising from financial factoring, discounts and the assignment of credit rights and leasing transactions executed with such corporations or individuals; loans granted to trustees who act under the protection of trusts, and the credit schemes commonly known as "structured" in which a net worth effect allows the associated risks to schemes be individually evaluated. . Also, are included loans granted to states, municipalities and their decentralized agencies as well as those assumed by the federal government or with an express federal guarantee, registered with the General Department of Public Credit of SHCP and the Central Bank.

b. *Housing loans:* Direct loans denominated in Mexican pesos, foreign currency, UDI or VSM, and the interest they generate, granted to individuals and intended for acquisition or construction for non-profit making purposes that have guaranteed by the borrower's home. Furthermore, housing loans are considered to include those intended for remodeling or improvements of the home which are backed by the savings from the borrower's housing subaccount, or have collateral granted by a development bank or a public trust established by the Federal Government for economic development. Also, they include the loans granted for such purposes to former employees of the states and those liquid loans secured by the home of the borrower.

c. *Consumer:* Direct credits, including liquidity credits which do not have collateral from real estate property, denominated in Mexican pesos, foreign currency, UDI or VSM, and the interest they generate, granted to individuals, derived from credit card transactions, personal loans, payroll transactions (different from those granted through a credit card), loans for the acquisition of consumer durables (known as ABCD), which includes among others automotive loans and loans for financial leases which are carried out with individuals, including those loans granted for such purposes to the former employees of the states.

Performing loan portfolio - The Financial Group applies the following criteria to classify the loans within performing portfolio:

- Loans that are current in the payments of both principal and interest.

- Loans with extension of the loan payment, as well as those loans with payment of principal and overdue interest which had no classified as non-performing portfolio, and

- Restructured or renewed loans, which were previously classified as non-performing loan portfolio, which have evidence of sustained payment

Non-performing loan portfolio - The Financial Group applies the following criteria to classify uncollected loans as non-performing:

1. If the borrowers are declared bankrupt, except for those loans

    i. For which the Financial Group continues to receive payment under the terms of section VIII of Article 43 of the Bankruptcy Law, or

    ii. That are granted under Article 75 in relation to Sections II and III of Article 224 of the above mentioned Law.

2. Loans with outstanding principal, interest or both, with the following characteristics:

   a) Loans with a single payment of principal and interest at maturity are classified as non-performing 30 calendar days after the date of maturity.
   b) Loans with a single payment of principal at maturity and with periodic interest payments are classified as non-performing 90 calendar days after interest is due or 30 calendar days after principal is due.
   c) Loans, including housing loans, whose principal and interest payments have been agreed in periodic installments are classified as non-performing 90 calendar days after they become due.
   d) Revolving loans for which the borrower has failed to render payment on two monthly billing periods, or, if the billing period is different from monthly, are 60 or more calendar days overdue.
   e) Immediate collection documents referenced in accounting criteria B-1 "Funds available" will be reported in the non-performing portfolio at the date of the overdraft.

These exceptions will not be mutually exclusive.

In the case of loan portfolio acquisitions, to determine the days in arrears and the respective transfer to non-performing portfolio, any defaults which the borrower has presented since the start must be taken into account.

The accrual of interest earned on the credit transactions is suspended at the time the loan is classified as non-performing portfolio, including those loans which, in accordance with the respective contract, capitalize interest to the amount of the debt. While a loan remains in the non-performing portfolio, accrued interest is recorded in memoranda accounts. When this non-performing interest is collected, it is recognized in results of the year under the heading of "Interest income".

With regard to ordinary uncollected accrued interest on loans which are considered as non-performing portfolio, the Financial Group creates an allowance for the total amount of the interest at the time the loan is transferred to non-performing portfolio.

Restricted loans - Are considered those loans for which there are circumstances which cannot provide or make used of them, having to be submitted as restricted; for example, the loan portfolio given the transferor as security or collateral in securitization transactions.

Evidence of sustained loan payment - Payment fulfillment by the borrower without delay for the total due and payable amount of principal and interest, in relation to at least three consecutive repayments under the credit payment scheme, or, in the case of credits with repayments that cover periods longer than 60 calendar days, the payment of one repayment.

In the case of loans with a single payment of principal maturity, regardless of whether the payment of interest is periodic or at maturity, sustained payment of the loan is deemed to exist when either of the following assumptions is fulfilled:

a) The borrower has covered at least 20% of the original amount of the loan at the time of the restructuring or renewal, or,

b) The amount of accrued interest was covered in accordance with the restructuring or renewal payment scheme for a period of 90 days.

Restructuring processes and renewals – - A restructuring process is a transaction derived from any of the following situations:

a) The extension of the guarantees covering the loan in question, or

b) The modification of the original loan conditions or payment scheme, including the following:

- The modification of the interest rate established for the remaining loan period;
- The change of currency or unit of account, or
- The concession of a grace period regarding the payment obligations established according to the original loan terms, unless this concession is granted following the conclusion of the originally agreed period, in which case it is considered as a renewal.
- Extension of the loan payment period.

A renewal occurs when the loan balance is settled partially or totally, through an increase in the original amount of the loan, or with the product derived from another loan contracted with the same entity, to which the same borrower is party, a joint obligor of such borrower or another person who due to his property links assumes common risks.

Notwithstanding the above, a loan will not be considered as renewed for the dispositions made during the effective term of a pre-established credit line, as long as the borrower has settled the total amount of the payments which are due and payable under the original conditions of the loan.

The specific standards related to the recognition of restructurings and renewals are as follows:

1. Non-performing loans which are restructured or renewed will remain in the non-performing loan portfolio until there is evidence of sustained payment.

2. Loans with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, which are restructured during their term or renewed at any time, will be considered as non-performing portfolio until there is evidence of sustained payment.

3. Loans granted under a line of credit, whether revolving or not, which are restructured or renewed at any time, may be kept in the performing portfolio provided that there were elements to justify the payment capacity of the borrower. Additionally, the borrower must have:

   a) Settled the total due and payable interest, and
   b) Total payments required under the terms of the contract at the date of the restructuring or renewal, are covered.

4. In the case of dispositions made under a line of credit, when they are restructured or renewed independently from the credit line supporting them, they must be evaluated in accordance with the provisions based on the characteristics and conditions applicable to the restructured or renewed dispositions. When as a result of such analysis it is concluded that one or more of the dispositions made under a credit line should be transferred to non-performing loan portfolio due to the effect of their restructuring or renewal, and whether individually or collectively, represent at least 25% of the total balance exercised of the line of credit at the date of the restructuring or renewal, such balance, as well as subsequent dispositions, must be transferred to non-performing loan portfolio as long as there is no evidence of sustained payment of the dispositions which originated the transfer to non-performing loan portfolio. Also, the total dispositions made under the line of credit have complied with the due and payable obligations at the date of the transfer to performing loan portfolio.

5. Performing loans with characteristics different from those included in numerals 2 through 4 before, those which are restructured or renewed, without at least 80% of the original term, will still be considered as performing, only when:

a) The borrower has settled the total amount of the accrued interest as the date of the renewal or restructuring, and

b) The borrower has settled the principal of the original amount of the loan, which should have been settled at the date of the renewal or restructuring.

Absent compliance with all the conditions described in the preceding numeral, loan will be considered as non-performing loan portfolio since the time they are restructured or renewed until there is evidence of sustained payment, as the case may be.

6. Performing loans with characteristics different from those established in numerals 2 through 4 which are restructured or renewed during the course of the final 20% of the original loan term, will be considered as performing only when the borrower has:

a) Settled the total interest accrued as of the date of the renewal or restructuring;

b) Settled the principal of the original amount of the loan, which should have been settled as of the date of the renewal or restructuring, and

c) Settled the 60% of the original amount of the loan.

Absent compliance with all the conditions described in the preceding numeral, loan will be considered as non-performing loan portfolio from the moment they are restructured until here is evidence of sustained payment.

The requirements referred to the numerals 5 and 6 of subsection above, will be considered as fulfilled when, after the interest accrued as of the last cutoff date has been settled, the term elapsed between such date and the restructuring or renewal does not exceed the lower of half the payment period in question or 90 days.

Performing loans with partial periodic payments of principal and interest restructured or renewed on more than one time, may remain in performing loan portfolio if, in addition to the conditions established in numerals 5 or 6 above, as the case may be, the Financial Group has elements to substantiate the payment capacity of the borrower. Elements must be clearly documented and included in the loan file in the case of commercial loans.

If in a restructuring or renewal, different loans granted to the same entity to the same borrower are consolidated, each of the consolidated loans must be analyzed as if they were restructured or renewed separately and, if as a result of such analysis it is concluded that one or more of such loans would have been transferred to non-performing loan portfolio as a result of such restructuring or renewal, the total balance of the consolidated loan must be transferred to non-performing loan portfolio.

The foregoing shall not applicable to those restructurings which at the transaction date submit payment for the total amount of the principal and interests and only modify one or more of the following original loan conditions

- Guarantees: only when they involve the extension or substitution of guarantees by others of better quality

- Interest rate: when the interest rate to the borrower is improved.

- Currency or unit of account: Provided that the Exchange rate corresponding to the new currency or unit of account is applied.

- Payment date: Only in the case that the exchange rate does not imply to exceed or modify the periodicity of the payments. In no case shall the change of the payment date must allow the omission of payment in any period

Write-offs, eliminations and recoveries of credit - The Financial Group periodically evaluates whether a non-performing loan should remain on the balance sheet or be written off. Such write-offs are made by canceling the unpaid balance of the loan against the allowance for loan losses. When the loan to be written off exceeds the balance of its related allowance, before completing such write-off the allowance is increased up to the amount of the difference.

Any recovery derived from loans already written off or eliminated is recognized in results of the year under allowance for loan losses.

Classification of leasing transactions - Leases are recognized as finance leases if the contract implies a transfer of the risks and benefits from the lessor to the lessee; otherwise, they are considered operating leases. In this regard, a transfer of risks and benefits takes place if, at the starting date of the lease, any of the assumptions described below is fulfilled:

- The lease agreement transfers ownership of the leased good to the lessee at the end of the lease term.
- The lease agreement contains a purchase option at a reduced price.
- The lease term is substantially the same as the remaining useful life of the leased asset.
- The present value of the minimum payments is substantially the same as the market value of the leased asset or scrap value which the lessor may keep for itself.
- The lessee may cancel the lease agreement and the losses associated with the cancellation will be covered by the latter.
- The profits or losses derived from fluctuations in the residual value accrue to the lessee, or
- The lessee may extend the lease for a second term with a rental substantially lower than market value.

For the application of the above-mentioned requirements it is understood that:

- The lease term is substantially the same as the remaining useful life of the leased asset, if the lease agreement covers at least 75% of such useful life.

- The present value of the minimum payments is substantially the same as the market value of the leased asset, if it constitutes at least 90% of the value of the asset.

- The minimum payments consist of those payments which the lessee is required to make or may be required to make in relation to the property leased, plus the guarantee of a third party not related to the Financial Group, of the residual value or rental payments beyond the term of the lease agreement.

The classification of the leases based on the aforementioned policies presents differences, both in the legal form in which the transactions are contracted, and in the criteria of their classification for tax purposes. This situation generates effects in the recognition of the allowance for loan losses and of deferred taxes.

Finance lease transactions are recorded as direct financing, considering the total rentals agreed in the respective contracts as loan portfolio. The financial revenue from these operations is equivalent to the difference between the value of the rentals and the cost of the leased assets, which is recorded in results as it is accrued. The reduced-price purchase option of the finance lease agreements is recognized as revenue on the date that it is collected or as amortizable revenue during the remaining term of the lease, at the time that the lessee undertakes to exercise such option. For purposes of presentation, the balance of the portfolio refers to the unpaid balance of the loan granted, plus the uncollected interest accrued.

During the effective term of the contract the Financial Group recognizes interest income as it is accrued, canceling the deferred credit already recognized (financial charge). When the loan portfolio is considered non-performing the recognition of interest is suspended.

The rentals agreed in the operating leases are recognized as they are accrued. The costs and expenses associated with granting the lease are recognized as a deferred charge, which is amortized in results within the financial margin, as the rental income from the respective contracts is recognized.

Allowance for loan losses - The Financial Group creates the allowance for loan losses based on the portfolio classification rules established in the General Provisions Applicable to Credit Institutions issued by the Commission, which establish methodologies for the recognition and measurement of reserves based as follows

- *Commercial loans portfolio*

  The Financial Group rates commercial loan portfolio considering the Probability of Default (PI), Loss Severity (SP) and Exposure at Default (EIi) and classifies the aforementioned commercial loan portfolio into different groups and provides different variables for estimating the PI.

  The amount of the allowance for loan losses of each loan will be the result of applying the following formula:

$$R_i = PI_i \, x \, SP_i \, x \, EI_i$$

  Where:

  Ri = Amount of reserves to be created for the nth loan.
  PIi = Probability of default of the nth loan
  SPi = Severity of loss of the nth loan.
  EIi = Exposure to default of the nth loan.

  Default Exposure (EI) is the balance of revocable credit lines plus the unused portion of irrevocable credit lines. The Probability of Default (PI) is the probability of customer default, which considers quantitative and qualitative information, the Financial Group classifies the commercial loan portfolio in groups to calculate the PI The Loss Severity (SP) is the percentage of the EI that would be lost in the event of loan default and depending on the loan enhancements and portfolio type.

The parameter EI, should calculated each month, the PIi; and the SPi at least each quarter.

a) *The probability of default*

La probabilidad de incumplimiento de cada crédito (PIi), se calculará utilizando la fórmula siguiente:

$$PI_i = \frac{1}{1+e^{-(500-TotalCreditScore_i)\,x\,\frac{\ln(2)}{40}}}$$

For purposes of the above:

The total credit score of each borrower will be obtained by applying the following:

Total CreditScore= α x (QuantitativeCreditScore) + (1- α) x (QualitativeCreditScore$_i$)

Where:

Quantitative Credit Score i = Is the score obtained for the nth borrower when evaluating the risk factors.

Qualitative Credit Score i = Is the score obtained for the nth borrower when evaluating the risk factors.

α = Is the relative weight of the quantitative credit score.

Unsecured loans

The SP for commercial loan portfolio and which lack actual or personal guarantees and those derived from the loan itself will be:

a) 45% for Preferred Positions.

b) 75% to syndicated loans, in those contractually subordinated to those of other creditors for payment prioritization purposes.

c) 100% for loans which payments that are 18 months or more past-due based on the settlement terms under the original agreed terms.

The Financial Group may recognize mortgage collateral, personal guarantees, and credit derivatives in the estimation of the Severity of the Loss on the loans, for the purpose of decreasing the loan reserves originated by the loan portfolio rating. In any case, it may elect to not recognize the guarantees if they result in larger loan reserves. For such purpose, the Accounting Criteria established by the Commission are applied.

b) *Default exposure –*

The EI of each loan is determined by considering the following factors:

i) Uncommitted credit lines that can be unconditionally canceled or automatically canceled at any time and without prior notice.

$$EI_i = S_i$$

ii) For other lines of credit:

$$EI_i = S_i * Max\left\{\left(\frac{S_i}{AuthorizedLineofCredit}\right)^{-0.5794}, 100\%\right\}$$

Where:

Si: The unpaid balance of the nth loan at the classification date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as debt reductions, forgiveness, rebates and discounts granted. In any case, the amount subject to be classification must not include uncollected accrued interest recognized in memoranda accounts on the balance sheet for loans classified in non-performing portfolio

Authorized Line of Credit: : Al monto máximo autorizado de la línea de crédito a la fecha de calificación.

The allowance for loan losses of commercial loan portfolio of a Multiple Purpose Financial Entity, in which the institutions held less than 99% of their capital stock, is calculated by multiplying the exposure to default by 0.5% in accordance to the Provisions.

Loans granted under the terms of the Bankruptcy Law

In the case of loans granted under the terms of section II of Article 224 of the Bankruptcy Law, the Severity of the Loss is subject to the following treatment:

$$SP_i = Max\left(Min\left(1 - \frac{CreditEnhancements + AdjustedNetWorth}{Si}, 45\%\right), 5\%\right)$$

Where:

Credit Enhancements = The credit enhancements provided pursuant to article 75 of the Bankruptcy Law by applying, as the case may be, the required adjustment factors or discount percentages based on each type of admissible enhancement.

Adjusted Net Worth = Net Worth, as defined by the Bankruptcy Law, after deducting the amount of the obligations referred to by section I of article 224 of the aforementioned Law and applying a 40% discount to the resulting amount.

S_i = the outstanding balance of loans granted under the terms of section II of article 224 of the Bankruptcy Law as the classification date.

In the case of loans granted under the terms of section III of article 224 of the Bankruptcy Law, the Severity of the Loss is subject to the following treatment:

$$SP_i = Max\left(Min\left(1 - \frac{AdjustedNetWorth}{Si}, 45\%\right), 5\%\right)$$

Where:

Adjusted Net Worth = Net Worth, as defined by the Bankruptcy Law, by deducting the amount of the obligations referred to by sections I and II of article 224 of that Law and applying a 40% discount rate to the resulting amount.

S_i = the outstanding balance of loans granted under the terms of section III of article 224 of the Bankruptcy Law at the rating date.

Credit portfolio of states and municipalities

When classifying the credit portfolio of states and municipalities, the Financial Group considers the Probability of Default, Severity of Loss and Exposure to Default, while also classifying the aforementioned portfolio of States and municipalities into different groups and establishing different variables for the estimate of the Probability of Default of the commercial portfolio, in relation to credits granted to states and municipalities.

The allowance for loan losses of each credit will be the result of applying the following expression

$$R_i = PI_i \, x \, SP_i \, x \, EI_i$$

Where:

Ri = Amount of reserves to be created for the nth loan.
PIi = Probability of default on the nth loan.
SPi = Severity of loss of the nth loan.
EIi = Exposure to default of the nth credit

The Probability of Default on each credit (PIi), is calculated using the following formula :

$$PI_i = \frac{1}{1+e^{-(500-TotalCreditScore_i)\,x\,\frac{\ln(2)}{40}}}$$

For purposes of obtaining the respective PIi, the total credit score of each borrower is calculated by using the following expression:

Total Credit Score = αx(PCCt) + (1-α) PCCl

Where:

PCCt =	*Quantitative Credit Score* = IA+ IB + IC	
PPCl =	*Qualitative Credit Score* = IIA + IIB	
α =	80%	

IA = *Risk Factor Payment experience* – Average number of days in arrears with banks (IFB) + percentage of timely payments with IFB + percentage of timely payments with non-bank financial institutions.

IB = *Risk Factor Evaluation of Ratings Agencies* – Number of recognized ratings agencies in accordance with the provisions which provide a rating to the state or municipality

IC = *Risk Factor Financial* - Total debt to eligible participations + debt service to total adjusted revenues + short-term debt to total debt + total revenues to current expense + investment to total revenues + proprietary revenues to total revenues

IIA = *Risk Factor Socioeconomic* - Local unemployment rate + presence of financial services of regulated entities.

IIB = *Risk Factor Financial strength* - Contingent obligations derived from retirement benefits to total adjusted revenues + operating balance sheet to local Gross Domestic Product + level and efficiency of collections + soundness and flexibility of the regulatory and bankal framework for the approval and execution of the budget + soundness and flexibility of the regulatory and bankal framework for the approval and imposition of local taxes + transparency in public finances and public debt + issuance of outstanding debt in the securities market.

Unsecured loans

The SP on the credits granted to states or municipalities which have no real, personal or credit-based collateral will be:

a. 45%, Preferred Positions.

b. 100%, for loans which payments that are 18 months or more past due based on the settlement terms under the original agreed terms.

The EI will be determined based on the following:

$$EI_i = S_i * Max\left\{\left(\frac{S_i}{AuthorizedLineofCredit}\right)^{-0.5794}, 100\%\right\}$$

Where:

Si = The unpaid balance of the nth credit at the classification date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as any reductions, amounts forgiven, rebates and discounts granted. In every case, the amount subject to the rating must not include the uncollected accrued interest, recognized in memorandum accounts within the consolidated balance sheet of loans in non-performing portfolio.

Authorized Lined of Credit = The maximum authorized amount of the line of loan at the classification date.

The Financial Group may recognize mortgage collateral, personal guarantees and credit derivatives in the estimation of the SP on the loans, for the purpose of decreasing the loan reserves originated by the loan portfolio rating. For such purpose, the Provisions established by the Commission are applied.

Eligible real collateral may be financial and non-financial. Furthermore, only the real collateral which complies with the requirements established by the Commission will be recognize.

Housing loan portfolio:

When classifying the housing mortgage loan portfolio, considers the type of loan, the estimated PI of the borrowers, the SP associated with the value and nature of the loan's collateral and the EI.

Furthermore, the Financial Group rates, calculates and records the allowance for loan losses on the housing mortgage loan portfolio as follows:

Due and Payable Amount - Amount which the borrower is obligated to pay in the agreed billing period, without considering any previous due and payable amounts that were not paid.

If the billing is semi-monthly or weekly, the due and payable amounts of the two semi-monthly payments or four weekly payments in the month, respectively, must be added up so that the due and payable amount reflects a monthly billing period.

The discounts and rebates may reduce the due and payable amount only when the borrower complies with the conditions required in the loan contract for such purpose.

Payment Made- Includes total payments made by the borrower in the billing period. Write-offs, reductions, amounts forgiven, rebates and discounts made to the loan or group of loans are not considered as payments. If the billing is semi-monthly or weekly, the two semi-monthly payments or four weeks of a month, respectively, must be added up so that the payment made reflects one full monthly billing period.

The variable "payment made" must be greater than or equal to zero.

Value of the Home Vi - The value of the home at the time of the loan origination, restated in accordance with the following:

I. For loans with an origination date prior to January 1, 2000, in two stages:

a) First stage, based on the General Minimum Wage (SMG)

$$\text{Valued of Home 1st Stage} = \frac{SMG_{\text{Dec 31, 1999}}}{SMG_{\text{in the month of the origination}}} \times \text{Value of Home at Origination}$$

Where

The value of the home on the origination date reflects the home value ascertained through an appraisal at the time the loan was originated.

b) Second stage, based on the monthly National Consumer Price Index (INPC).

$$\text{Value of Home} = \frac{INPC_{\text{month of classification}}}{INPC_{\text{Jan 1, 2000}}} \times \text{Value of Home 1st Stage}$$

II. For loans with an origination date prior to January 1, 2000, in accordance with subsection b) of numeral. I above

$$\text{Value of Home} = \frac{INPC_{\text{month of classification}}}{INPC_{\text{month of classification}}} \times \text{Value of Home at Origination}$$

In any case, the home value at the time of the origination may be restated based on a formal appraisal.

Loan Balance Si - The unpaid balance at the classification date, which represents the amount of the loan granted to the borrower, adjusted for accrued interest, less any insurance payments which were financed, collections of principal and interest, as well as reductions, amounts forgiven, rebates and discounts granted, as the case may be.

The total amount of the allowance for loan losses to be established by the Financial Group will be equal to the allowance for loan losses on each loan, as follows:

$$R_i = PI_i \, x SP_i \, x EI_i$$

Where:

Ri = Amount of reserves to be created for the nth lons.
PI_i = Probability of default on the nth loan.
SPi = Severity of the loss on the nth loan.
EIi = Exposure to default on the nth loan.

In any case, the amount subject to the classification must not include uncollected accrued interest recorded on the consolidated balance sheet, of loans classified within non-performing portfolio.

Non-revolving consumer loan portfolio

The Financial Group classifies the non-revolving consumer portfolio in accordance with the Accounting Criteria as follows:

- ABCD (B): Loans that are granted to individuals and whose destination is the acquisition of durable consumer goods, with the exception of loans whose destination is the acquisition of private automotive vehicles.

- Auto (A): Loans that are granted to individuals and whose destination is the acquisition of private automotive vehicles.

- Paysheet (N): Liquidity loans granted by the Financial Group where the payroll account of the borrower is managed and which are collected through said account.

- Personnel (P): Loans that are collected by the Financial Group by any means of payment other than the payroll account, as well as loans with a billing period other than weekly or biweekly, which are granted to groups of people in which each member is jointly and severally liable for the total payment of the loan, even though the credit rating is made individually for each member of the Financial Group.

- Other (O): Any other non-revolving consumer loan, different from the ABCD, Auto, Payroll or Personal categories.

- The total amount of the allowance for loan losses corresponding to the non-revolving consumer portfolio will be equal to the allowance for loan losses for each loan, in accordance with the following:

$$R_i = (PI_i^x)\,(SP_i^x)\,(EI_i)$$

Where:

R_i = Amount of reserves to be constituted for the nth loan.

PI_i^x = Probability of default of the nth loan, classified as "B, A, N, P or O", respectively.

SP_i^x = Severity of the loss of the nth loan, classified as "B, A, N, P or O", respectively.

EI_i = Exposure to default of the ith loan

X = Superscript indicating whether the type of loan corresponds to ABCD (B), auto (A), paysheet (N), personal (P) or other (O).

The total amount of the allowance for loan losses to be constituted by the Financial Group for this portfolio will be equal to the sum of the allowance of each loan.

The consumer loan portfolio related to credit card operations

The allowance for credit card losses is calculated by considering a loan by loan base, using the figures for the last period of known payment and taking into account factors such as: i) balance payable, ii) payment made, iii) credit limit, iv) minimum payment required, v) nonpayment vi) amount payable to the Financial Group, vii) amount payable reported in the credit information agencies, as well as viii) seniority of the borrower in the Financial Group.

- *Provisioning and classification by degree of risk*

  The total amount of the allowance for loan losses to be created by the Financial Group for the loan portfolio is equal to the sum of the reserves for each loan.

  Allowance for loan losses that should be create for loan portfolio are calculated based on the general methodology, should be classified according to risk levels A-1, A-2, B-1, B-2, B-3, C-1, C-2, D and E in accordance with the following table
  :

	Consumer		Commercial
	Non- revolving	Other revolving loans	
A-1	0 to 2.0	0 to 3.0	0 to 0.9
A-2	2.01 to 3.0	3.01 to 5.0	3.01 to 1.5
B-1	3.01 to 4.0	5.01 to 6.5	1.501 to 2.0
B-2	4.01 to 5.0	6.51 to 8.0	2.001 to 2.50
B-3	5.01 to 6.0	8.01 to 10.0	2.501 to 5.0
C-1	6.01 to 8.0	10.01 to 15.0	5.001 to 10.0
C-2	8.01 to 15.0	15.01 to 35	10.001 to 15.5
D	15.01 to 35.0	35.01 to 75.0	15.501 to 45.0
E	35.01 to 100	Greater than 75.01	Greater than 45.0

Other receivables, net **-** These items primarily represent receivable or payable amounts derived from the purchase-sale of currency in which immediate settlement was not agreed (value date exchange transactions). These transactions are recorded on the day they are agreed and settled within periods of 24, 48, 72 or 96 hours.

The Financial Group has a policy of reserving in the results those receivable accounts identified and not identified within 90 days and 60 days after the initial recognition, respectively.

The income is recorded on an accrual basis and the accumulation of accrued income is maintained at the moment in which the debit for the current 90 or more calendar days of non-payment.

Premium debtors- Uncollected premiums represent the balances of premiums which are aged less than the term agreed or 45 days, according to the provisions of the Commission. When they exceed the aforementioned aging, they are canceled against results of the year, except when involving premiums receivable from agencies or entities of the Federal Public Administration, which are reclassified to "Debts payable by agencies or entities of the Federal Public Administration"; if they are backed by a national public tender covered by such entities which, for purposes of the tender, have signed an agreement with the Executive Branch which are supported in the Federal Spending Budget for the fiscal year in question.

Reinsurance and reinsurance balances- The Financial Group has reinsurer, accounts receivable and receivable balances from reinsurers. The placement of businesses and their recovery is usually through intermediaries. Reinsurers have the obligation to reimburse the Group for the claims paid based on their participation.

Foreclosed assets, net - Foreclosed assets are recorded at the lower of cost or fair value less direct and incremental costs and expenses incurred in the foreclosure process. In the case of foreclosures, the cost is the amount established for purposes of the foreclosure, whereas for accord and satisfaction, it is the price negotiated between the parties.

The Financial Group creates allowances on the book value of these assets based on percentages established by the Commission, by type of property (movable or real property) and based on the time elapsed as of the date of the foreclosure or accord and satisfaction

The Financial Group records additional provisions on a quarterly basis on foreclosed judicial and extrajudicial assets or assets received as payment in kind, whether movable or real property, and the collection rights and investment in securities according to the following procedure:

I. For collection rights and property, the amount of reserves to be created will be the result of applying the reserve percentage shown in the table below, the value of the collection rights or the value of property obtained in accordance with the accounting criteria.

Reserves for collection rights and property	
Time elapsed since collection or payment in kind (months)	**Reserve Percentage**
Up to 6	0%
More than 6 up to 12	10%
More than 12 up to 18	20%
More than 18 up to 24	45%
More than 24 up to 30	60%
More than 30	100%

II. For investment in securities, the must be valued as set forth in Criterion B-2 "Investment in securities" of the Accounting Criteria issued by Commission, with annual audited financial statements and monthly reports.

After the foreclosure or payment in kind have been valued, the reserves shall be determined using the percentages in the table contained in section I, considering estimated values determined in accordance with the preceding paragraph.

III. For real estate assets, the amount of reserves to be created will be the result of applying the reserve percentage in the table below and the value of the foreclosed property calculated in accordance with the Accounting Criteria.

Reserve for real estate assets Time elapsed since collection or payment in kind (months)	Reserve percentage
Up to 12	0%
More than 12 up to 24	10%
More than 24 up to 30	15%
More than 30 up to 36	25%
More than 36 up to 42	30%
More than 42 up to 48	35%
More than 48 up to 54	40%
More than 54 up to 60	50%
More than 60	100%

If valuations carried out subsequent to the foreclosure or payment in kind result in the recording of a decrease in the value of collection rights, securities or real estate assets, the loss reserve percentages referred to this Article may be applied to the adjusted value.

Property, furniture and fixtures, net - Property, installations expenses and leasehold improvements are recorded at acquisition cost. The assets currently on hand that were acquired prior to December 31, 2007 were adjusted for inflation by applying factors derived from the UDI from the date of acquisition up to such date. The related depreciation and amortization are recorded by applying a percentage determined based on their estimated economic useful lives, applying the rates indicated below

	Tasa
Buildings	5%
Computer equipment	30%
Furniture and equipment	10%
Vehicles	25%
Machinery and equipment	30%

Maintenance expenses and repairs are recorded in the income statement as incurred.

In the case of fixed assets subject to operating leases, depreciation is calculated on the restated value, less residual value, using the straight-line method over the term established in the respective contracts.

Long-term investment in shares - Permanent investments in entities in which significant influence is exercised, are recognized initially based on the net fair value of the identifiable assets and liabilities of the entity at the acquisition date.

i. Venture capital investments (companies promoted by a mutual fund) - At the time of their acquisition, investments in shares of companies promoted by a mutual fund are recognized for the total amount of resources paid.

In accordance the Accounting Criteria, acquisitions of shares in promoted companies are considered permanent investments, whether or not in control of them. Under NIF, these investments are considered as risk capital investments and are stated at fair value.

The value of investments in shares of companies promoted by a mutual fund is restated every quarter by the equity method, which consists of recognizing the Financial Group's participation in the results for the year and other stockholders´ equity accounts reported in the consolidated financial statements of such promoted companies, and is recorded in results for the year under "Equity in income of unconsolidated subsidiaries and associates", and in stockholders' equity, under "Result from holding non-monetary assets", respectively.

At December 31, 2018 and 2017, the consolidated financial statements of the promoted companies used in the valuation of the investments are as of September 30, 2018 and 2017, respectively, or to the date of the investment, in the cases in which this has been later.

The profit and loss obtained on the sale of shares of such promoted companies is recorded on the date that the transaction is performed

ii. *Associates and other investments.* - Investments in associates and other permanent investments are recorded initially at acquisition cost and are subsequently valued under the equity method, on which basis the equity in results and in stockholders' equity is recognized.

Other assets - Software, system developments and intangible assets are recorded originally at the face value disbursed, and adjusted for inflation through December 31, 2007, using the factor derived from the UDI.

The amortization of software, informatics developments and intangible assets with defined lives is calculated by using the straight line method over their estimated useful lives.

Goodwill - Represents the excess of the purchase price paid over the fair value of the net assets of the entity acquired on the acquisition date, which is not amortized and is subject to impairment tests at least once a year.

Intangible assets acquired - The intangible assets resulting from the acquisition of the businesses, for the period of 2015 and performed by Banco Brasil and HF Wal-Mart are recognized in the consolidated balance sheet. The valuation of the intangible asset must be done considering what is indicated in NIF C-8 "Intangible Assets".

Impairment of long-lived assets in use - The Financial Group reviews the book value of long-lived assets in use for impairment when there are indicators that the net carrying amounts of the assets may not be recoverable. The impairment is recorded to the extent that the book value of the asset exceeds the recoverable amount, which is defined as the higher of the present value of net future cash flows or the estimated sales price. The impairment indicators considered for this purpose are, among others, operating losses or negative cash flows generated during the period which, if combined with a history or projection of losses, depreciation and amortization charged to results as revenue percentages, are significantly higher than those of prior years, the services rendered, competition and other economic and legal factors. The loss from impairment in value of long-lived assets in use, as well as its reversal, are presented in the statement of income in the line items of costs and expenses in which the respective depreciation or amortization is recognized for such assets. Losses from impairment cannot under any circumstance be presented as part of the expenses that were capitalized in the value of an asset.

As of December 31, 2018 and 2017, the Financial Group has not identified impairment of long-lived assets.

Deposits - Liabilities from deposits through demand deposits and time deposits, as well as interbank loans and from other agencies, are recorded by taking the contractual value of the obligation as their base. Interest payable is recognized in results, within the financial margin, as it is accrued, based on the interest rate agreed.

The securities included in deposits which form part of direct bank deposits, are classified and recorded as follows:

- Securities offered at face value; are recorded based on the contractual value of the obligation, recognizing the accrued interest directly in results.

- Securities offered at a price different from face value (with a premium or a discount); are recorded based on the contractual value of the obligation, recognizing a deferred charge or credit for the difference between the face value of the security and the amount of cash received for it, which is amortized by the straight-line method over the term of the security.

- Securities which are offered at a discount and do not accrue interest (zero coupon); are valued at the time of issue, taking the amount of cash received as their basis. The difference between the face value and the aforementioned amount is considered as interest, and should be recognized in results based on the effective interest method.

Term deposits, placed through promissory notes with realizable returns at maturity (PRLV), deposits that can be withdrawn on pre-established days and bank deposit certificates (CEDES), are offered at face value. The promissory notes issued in the interbank market are offered at a discount.

Commissions paid on the loans received by the Financial Group are recorded in results for the year, under the heading Commissions and fee expense, on the date they are generated.

Issue expenses, as well as the discount or premium on the debt offering, are recorded as a deferred charge or credit, as the case may be, and are recognized in results for the year as interest expense or income, if applicable, as and when accrued, taking into account the term of the underlying securities.

The placement premium or discount is presented as part of the underlying liability, whereas the deferred charge for the issue expenses are presented in the heading "Other assets".

Technical reserves -

a. ***Technical reserves***

By express provision of the CNSF, all technical reserves must be audited annually by independent actuaries within the first 60 days following the close of the year. On February 28, 2019 and 2018, the independent actuaries issued their report, indicating that in their opinion, the reserves for unearned premiums, unfulfilled obligations and catastrophic risks as of December 31, 2018 and 2017, respectively, were determined in accordance with legal provisions and the rules, criteria and practices established and sanctioned by the Commission.

Technical reserves are created under the terms established by the LISF, and the provisions issued by the Commission. For purposes of valuing technical reserves, the Financial Group used the valuation methods and assumptions established in its technical notes, as well as the provisions contained in chapters 5.1, 5.2, 5.3, 5.4 and 5.5 of the CUSF.

According to the provisions established by the CNSF, the technical reserves are valued as follows:

I) Reserve of ongoing risks

In terms of the provisions of Section I of Article 217 of the LISF, the reserve of ongoing risks of life, accidents and illness and damages procedures, is intended to cover the expected value of future obligations derived from the payment of claims, benefits, guaranteed values, dividends, acquisition and administration expenses, as well as any other future obligation derived from insurance contracts.

It is established that the Institutions will value the technical reserves with their own methods, maintaining consistency with the amount for which they could be transferred or liquidated, between the interested parties and accordingly informed about the market parameters, through the use of the best estimator method and the margin risk, except the reserve of risks in course of the insurance of hurricane and other hydrometeorological risks.

The actuarial methods recorded by the insurance institutions for the valuation of the ongoing risks reserve shall be equal to the sum of the best estimate and a risk margin, which shall be calculated separately according to the provisions in vigor.

The best estimate will be equal to the expected value of future bond flows, understood as the probability-weighted average of such flows, considering the time value of money based on interest-rate curves free of market risk for each currency or monetary unit provided by the price provider with which they maintain a current contract in accordance with the provisions at the valuation date and following the criteria established by the Commission.

The hypotheses and procedures that determine the future flows of the obligations, for the valuation of the best estimate, are defined by the Financial Group in the proprietary method registered with the Commission and are based on timely, reliable, homogeneous, sufficient information, with realistic hypotheses; using statistics and actuarial methods according to actuarial practice standards. For these purposes, in case of not having consistent, homogeneous and sufficient proprietary information, the corresponding market information should be used.

In the valuation and constitution of the reserve of risks in course the obligations in groups of homogeneous risks should be segmented separating the obligations of short and long term, in order to maintain an adequate balance in the investments of resources, which must have a due relationship with regard to the liabilities to which they are related.

For long-term insurance, variations will be determined by differences between the interest rate used for the original calculation "agreed technical rate" and the market interest rates used for the monthly valuation, which will be recorded in a caption called "Result in the Valuation of the Reserve of Risks in Course of Long Term by Variations in the Interest Rate", additionally, the corresponding effects in the recoverable amounts of reinsurance.

The variations presented in the value of the reserve of risks in course and in the recoverable amounts of reinsurance of long term by differences in the interest rates used in their valuation, will correspond to unrealized losses or gains, affecting the capital in the concept of "surplus / deficit for the valuation of the long term risk reserve", likewise, the corresponding deferred tax will also be considered. In the case of the premiums issued in advance, the reserve of risks in course will correspond to the amount of the premiums that have been issued in advance subtracting the acquisition costs that in their case, for accounting purposes, must be registered at the time of the issuance separately from the reserve.

In the case of multi-year policies, the ongoing risks reserve will be the best estimate of the future obligations of the current year in question, plus the tariff premiums corresponding to the future annuities accumulated with the yield corresponding to said annuities, during the time the policy has been in force, plus the risk margin. Premiums corresponding to future annuities must be subtracted from the acquisition cost, which, if applicable, for accounting purposes, must be recorded at the time of issuance separately from the reserve.

In the asset, the reinsurance reimbursable amounts must be recorded under the heading of "Participation of Foreign Institutions or Reinsurers for risks in progress (valuation at agreed technical rate)" and the estimate for non-compliance that should affect the results in the concept of write-offs preventatives by recoverable reinsurance amounts.

Earthquake

The calculation of the reserve of risks in the course of the coverage of earthquake and/or volcanic eruption, corresponds to the retained portion of the risk bounty in force for each policy based on the valuation model authorized by the Commission. The Financial Group determined the risk bounty that is the basis for the valuation of the reserve and the presumed probable maximum (PML) of the Earthquake Insurance through the computer system "Sistema R®" according to the technical bases indicated in Annex 5.1.5-a of the CUSF.

Hurricane and other hydrometeorological risks

As Earthquake, it is calculated considering the retained risk bounty in force for each policy based on the valuation model authorized by the CNSF. The Financial Group determined the risk premium that is the basis for the valuation of the reserve and the presumed probable maximum (PML) of the Earthquake Insurance through the computer system "RH-MEX®" according to the technical bases indicated in the Annex 5.1.6-a of the CUSF.

II) Obligations pending compliance

a) Due and expired policies pending payment. Reported claims, unpaid amounts, past unpaid rents, guaranteed values and accrued dividends, among others, whose amount to be paid is determined at the time of valuation and not subject to adjustments in the future, the best estimate, for purposes of the constitution of the reserve, it will be the amount that corresponds to each of the obligations known at the time of the valuation.

   The estimated amount, once the associated risk margin is included, will be denominated "reserve for outstanding obligations for claims and other obligations of known amount".

b) For incidents occurring and not reported, as well as for the adjustment expenses assigned to the claims. In the case of obligations pending compliance due to claims that have already occurred as of the valuation date have not yet been reported or have not been fully reported, as well as their adjustment expenses, salvage and recoveries, the reserve at the time of valuation will be determined as the best estimate of the future obligations corresponding to these types of losses, adjustments, salvages and recoveries, plus the risk margin.

   The estimated amount, once the corresponding risk margin is included, will be denominated "Reserve for obligations pending compliance for accidents not reported and adjustment expenses assigned to the incident".

c) For dividends and periodic distributions of profits. In the case of outstanding obligations corresponding to dividends that do not yet constitute certain or past unpaid obligations, but that are estimated to be paid in the future for the obligations of distribution of the profits predicted in the insurance contracts, derived from the favorable behavior of the risks , returns or expenses of Seguros Inbursa during the period of validity of the policies in force, the best estimate for purposes of the constitution of the reserve shall be that made by Seguros Inbursa by the method defined in the technical note of each of the insurance products that it operates and registers with the Commission.

The amount estimated in terms of what is indicated in this section will be called "Reserve for obligations pending compliance with contingent dividends".

d) In the case of obligations pending compliance corresponding to the administration of the amounts that by concept of dividends, totalities, rents or other indemnifications entrusted by the insured or their beneficiaries to the insurance institutions, the best estimate of future obligations with that the reserve will be constituted, will correspond to the known amount of each one of said obligations and, in its case, the profits that must be credited to such amounts.

The estimated amount will be called "reserve for obligations pending compliance for administration of payments and expired benefits.

e) Bounties on deposit - represent amounts of collections of policies pending to be applied to the debtor by bounty.

III) Forecast

a) Catastrophic

I. Earthquake. This reserve will be cumulative and its constitution and monthly increase will be made with the accrued part of the retained risk premiums calculated according to the model and technical procedures established in Annex 5.1.5-a of the CUSF, of the policies that have been in force in the month in question.

To the balance of the reserve, it will be added the financial products of the same calculated based on the average monthly effective rate of the emissions of the month in question, of the Treasury Certificates of the Federation at 28 days. The respective financial products will be capitalized monthly.

The maximum balance that the reserve of catastrophic risks of the earthquake insurance must reach, will be determined as 90% of the average of the last five years of the amount of the maximum probable loss of retention. The maximum probable loss to retention at the end of each year must be calculated according to the technical bases indicated in Annex 5.1.5-a of the CUSF.

The value of the maximum probable loss of withholding will be calculated at the close of each fiscal year, so that value will remain constant, for purposes of calculation, during any of the months prior to the last month of the year in question.

II. II. Hydrometeorological. This reserve will be accumulative and its constitution and monthly increase will be made with the accrued part of the retained risk premiums calculated according to the model and technical procedures established in Annex 5.1.6-a of the CUSF, of the policies that have been in force in the month in question.

To the balance of the reserve, will be added the financial products of the same calculated based on the average f the monthly effective rate of the issues, of the Treasury Certificates of the Federation to 28 days. The respective financial products will be capitalized monthly.

The maximum balance that this reserve must reach, will be determined as 90% of the average of the last five years of the amount of the maximum probable loss of retention. The maximum probable loss to retention at the end of each year must be calculated according to the technical bases indicated in Annex 5.1.6-a of the CUSF.

The value of the maximum probable loss of withholding will be calculated at the close of each fiscal year, so that value will remain constant, for purposes of calculation, during any of the months prior to the last month of the year in question.

IV. Fianzas in force:

The purpose of the current bond reserve is to provide bondholders with liquidity, so that they finance the payment of claims arising from the bonds granted, while the awarding process is carried out and the recovery guarantees provided by the guarantor are performed, as well as to support the payment of bond claims that do not require a guarantee of recovery.

The current bond reserve constitutes the amount of sufficient resources to cover the payment of the expected claims arising from the liabilities for bonds in vigor, while the Financial Group awards and makes liquid the recovery guarantees collected.

It is valued by applying for each branch or type of bond projection rates of future expected paid claims, which will be determined by identifying and classifying the amounts secured for each year of origin. Through the projection factors of claims, the estimation of future claims will be made, simulating them randomly.

The rates of claims paid will be reviewed during the first quarter of each year and will be updated when a significant change in the value of the same is observed.

As part of the valuation of the current guarantee reserve, the recoverable amounts of reinsurance must be calculated, determining the difference between the unit and the probability of default corresponding to the Institution or reinsurance entity at the time of the valuation of the reserve to Seguros Inbursa or reinsurance from abroad with which Reinsurance coverage has been contracted.

V. Contingency:

The guarantee contingency reserve constitutes the amount of resources necessary to cover possible desviations in the payment of the expected claims arising from the liabilities retained by existing bonds, as well as to confront the changes in the payment pattern of the claims, in both the institutions are awarded and make the recovery guarantees collected liquid.

The bond contingency reserve shall be constituted in accordance with the following:

Following the methodology for calculating the current bond reserve, the value of the paid claims index that corresponds in statistical terms to the 99.5% percentile will be determined.

The contingency reserve must be constituted, at the moment that a bond begins its validity, for an amount equivalent to 15% of the respective reserve bounty;

The financial products will be added monthly to the balance of the reserve based on the average monthly effective rate of the corresponding monthly emissions of CETES at 28 days.

The accumulation limit of the contingency reserve is based on the values determined in the Solvency Capital Requirement considering: Requirement for claims received with expectation of payment, Requirement for future expected claims and recovery of guarantees and the Requirement for the subscription of bonds in conditions of risk.

In the event that the company does not have timely, homogeneous, reliable and sufficient information to make the calculation for the constitution, increase and valuation of the technical reserves of bonds, it shall use the information of the bonding market, which shall be revealed by the CNSF.

VI. Reserve for Risks in progress

a) ***Mathematical reserve of pensions*** - The mathematical reserve of pensions for the basic plans is determined monthly on all policies in force, based on an actuarial calculation, considering the demographic experiences of invalidity and mortality of invalids and non-invalids, according to the age and sex of each of the insured members of the pensioner's family group, as well as the technical interest rate. Said reserve must guarantee the payment of future income according to the demographic tables adopted.

b) ***Mathematical reserve for additional benefits*** - It represents the amount of additional benefits granted to pensioners in addition to the basic benefits of pension insurance. For the policies issued, the corresponding reserve is constituted in accordance with the technical note registered in the matter with the Commission.

c) ***Special mathematical reserve***- It aims to strengthen the mathematical reserve of pensions and is constituted only considering the policies prior to the new operating scheme corresponding to pensions other than disability or incapacity in course of payment as of December 31, 2013, which will be considered as a closed portfolio.

The balance of the special mathematical reserve as of December 31, 2018 and 2017 is $9,209 and $409,229.

For the purpose of applying the special mathematical reserve in January 2014, the proportion represented by the balance of the mathematical reserve of each policy, in relation to the total of the reserve, was determined.

For the following months, the portion of the mathematical reserve coming from the special mathematical reserve at the end of the month is determined by policy as the minimum between the following:

The portion coming from the special mathematical reserve of the previous month of the policy, multiplied by the accrual factor of the corresponding mathematical reserve of pensions, determined as the quotient of the balance of the mathematical reserve to the month between the balance of the same reservation to the previous month; and:

1) (Reserve of the month / Reserve of the previous month) * (Special mathematical reserve of the previous month)

2) (1+ (month UDI / UDI of the previous month -1)) * [(1 + 3.5%) ^ (1/12)] * (Special mathematical reserve of the previous month)

VII. Contractual obligations:

a) Obligations pending to be completed by claims - this reserve is constituted by the amount of pensions due and pending payment to the insured or beneficiaries. Pension claims are recorded at the time they are known and correspond to the income that must be paid.

b) Premiums on deposit - They represent amounts of collections of policies pending to be applied to the debtor for the premium.

VIII. Forecast:

a) Contingency - This reserve is intended to cover deviations in the demographic assumptions used for the determination of the constituent amounts, which result in an excess of obligations as a result of a greater number of survivors than those provided in the demographic table adopted.

The calculation of this reserve is determined by applying 2% to the mathematical pension reserve and to the ongoing risks of additional benefits of current pension plans.

b) Reserve for investment fluctuation - Reserve for investment fluctuation. This reserve is constituted with the purpose of facing possible deficits in the expected returns of the investments that cover the technical reserves.

The monthly contribution to this reserve is made of 25% of the surplus of the real profit obtained for the investment of the assets that support the technical reserves.

The balance of this reserve cannot exceed 50% of the gross solvency requirement.

Provisions - Liability provisions are recognized when there is a present obligation (legal or assumed) as a result of a past event, it is probable the outflow of economic resources as a required to settle the obligation and the obligation can be reasonably estimated.

Employee benefits - - Employee benefits are those granted to personnel and/or their beneficiaries in exchange for the services rendered by the employee, which include all kinds of remuneration earned, as follows:

i. Direct employee benefits - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly commissions, bonus and other incentives.

ii. Post-employment benefits - Liabilities for seniority premiums, pensions and severance for voluntary or involuntary termination benefits are recorded as accrued, and are calculated by independent actuaries based on the projected unit credit method using nominal interest rates.

iii. Employee benefit from termination The benefits for termination of the employment relationship which do not generate assumed obligations are recorded at the time that: a) the entity no longer has any real alternative other than to fulfill the payments of such benefits or cannot withdraw an offer or b) the entity fulfills the conditions established for a restructuring.

iv. Statutory employee profit sharing (PTU) - PTU is recorded in the results of the year in which it is incurred. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

Bank and other loans - Direct short and long-term loans received from Mexican banks are recorded under this heading, together with loans obtained from development banks. Interest is recognized in results when accrued.

Obligations arising from settlement of transactions - Represent amounts payable for currency purchase-sale transactions in which no immediate settlement is agreed, (foreign exchange trading value date). They are recorded on the day they are negotiated and settled within 24, 48, 72 or 96 hours.

Assets and liabilities in Investment Units (UDI) – Assets and liabilities denominated in UDI are presented on the balance sheet at the peso value of the UDI at the date of the consolidated financial statements. As of December 31, 2018 and 2017, the value of the UDI (in pesos) was $6.226631 and $5.934551, respectively. The value of the UDI at the date of issuance of these consolidated financial statements is $6.247766

Income taxes - Income tax (ISR) is recorded in results of the year in which incurred. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a highly probability of recovery.

The Financial Group's Management records a reserve for certain deferred tax assets to recognize only the deferred tax asset for which there is a high probability of recovery over a short-term period, considering for this treatment the amount generated by the tax credit for un-deducted allowances for loan losses expected to reverse in accordance with the financial and tax projections prepared by Management, therefore, the effect of such tax credit is not fully recorded. The deferred tax is recorded either to results or stockholders' equity, depending on the classification of the item originating the deferred tax.

Financial margin - The financial margin of the Financial Group is composed of the difference between total interest incomes less interest expense.

Interest income is composed of the yields generated by the loan portfolio, based on the terms established in the contracts executed with the borrowers, the negotiated interest rates, the application of interest collected in advance, and the premiums or interest on deposits in financial entities, bank loans, margin accounts, investments in securities, repurchase agreements and securities loans, as well as debt placement premiums, commissions charged on initial loan grants, and net equity instrument dividends.

Penalty interest related to overdue portfolio is recorded in results at the time of collection, with its accrual controlled in memorandum accounts. Yields on interest related to financial instruments are applied to results on an accrual basis.

Interest expense is composed of premiums, discounts and interest on deposits in the Financial Group, bank loans, repurchase agreements and securities loans, and subordinated obligations, as well as debt placement discount and issuance expenses. The amortization of costs and expenses incurred the origination of the loan is also included under interest expense.

Commissions collected and related costs and expenses - The commissions collected for the initial granting of the loans are recorded as deferred credit under "Deferred charges and income received in advance" in consolidated balance sheet, which is amortized against results of the year under "Interest income", using the straight line method over the loan term, except for those related to revolving loans, which are amortized over a 12-month period.

The commissions collected for loan restructurings or renewals are added to any commissions recorded at loan origination, and are recognized as a deferred credit which is amortized in results using the straight line method over the new term of the loan.

Any commissions recognized after the initial granting of the loans are those incurred as part of the maintenance of such loans, or those collected on loans which were not placed and are recognized in results at the time they are incurred or earned.

Commissions collected for credit card annual fees, whether the first or subsequent renewal fees, are recognized as deferred revenues under "Deferred charges and income received in advance", and are amortized over a 12-month period against results under "Commission and fee income".

Incremental costs and expenses associated with the initial granting of the loan are recognized as a deferred charge, which are amortized to results as "Interest expense" during the same accounting period in which the revenues from collected commissions are recognized.

Any other costs or expenses, including those described above, including those related to promotion, advertising, potential customers, management of existing loans (follow-up, control, recoveries, etc.) and other secondary activities related to the establishment and monitoring of loan policies is recognized directly in results of the year as it is accrued and classified in accordance with the nature of the cost or expense.

Costs and expenses associated with the issuance of credit cards are recognized as a deferred charge, which is amortized to earnings over a 12-month period under the respective line item that corresponds to the nature of such cost or expense.

On the cancellation date of a credit line, the remaining unamortized balance of commission fees collected for credit lines cancelled before the end of the 12-month period are recognized directly in results for the year under the heading "Commissions and fee income".

Gains/losses on financial assets and liabilities - This mainly refers to the result from valuation at fair value of securities, credit instruments to be received or delivered in repurchase agreements and derivatives trading transactions, as well as the result from the purchase and sale of securities, financial derivatives and foreign exchange.

Earnings per share - Basic earnings per share are calculated by dividing the net income attributable to controlling interest from continuing operations by the weighted average number of shares outstanding in each period, thus giving a retroactive effect to shares issued due to the capitalization of additional paid-in capital or retained earnings.

Information by segments - The Financial Group has identified the operating segments for its different activities by considering each one as a component of its internal structure with specific yield, risks and opportunities. These components are reviewed regularly in order to make decision about allocating monetary resources to the segments and assessing their performance.

Statement of cash flows - The consolidated statement of cash flows presents the Financial Group's capacity to generate cash and cash equivalents, as well as the way in which the Financial Group uses such cash flows to meet its needs. The preparation of the Statement of Cash Flows is under the indirect method, based on the net result of the period, in conformity with that established in Criterion D-4, Statements of Cash Flows, issued by the Commission.

The cash flows together with the rest of the financial statements, provides information that allows

- Analysis of changes in the assets and liabilities of the Financial Group and in its financial structure.

- Analysis of the amounts and dates of collection and payments to adapt to circumstances and the opportunities for generate and/or apply cash and cash equivalents.

Memorandum accounts - Memorandum accounts are used to record assets or commitments which do not form part of the Financial Group's consolidated balance sheets because the respective rights are not acquired or such commitments are not recognized as a liability until such eventualities materialize, respectively.

– *Customer banks and securities held in custody:*

Customer's cash and securities held in custody, guarantee and administration by Financial Group are recognized at their fair value in memoranda accounts and represent the maximum amount for which the Financial Group is liable as regards its customers based on future events.

a. Cash is deposited with credit institutions in checking accounts other than those registered in the name of the Financial Group, the checking accounts are destined only to manage the cash of the costumers of the Financial Group.

b. Securities held in custody and administration are deposited in S.D. Indeval, S.A. de C.V. (S.D. Indeval).

The Financial Group records transactions performed in customers' names when each transaction is agreed, regardless of its settlement date.

– *Contingent assets and liabilities:*

This heading represents considers the amount of the economic sanctions emitted by the Commission or any another administrative or judicial authority for as long as does not comply with the payment obligation of such sanctions or has not interposed some resource of appeal.

– *Loan commitments:*

This item represents the amount of letters of credit granted by the Financial Group which are considered irrevocable commercial loans. It includes the unused lines granted to clients. The items recorded in this account are subject to classification.

– *Assets in trust or mandate (unaudited):*

Different management trusts are kept to independently accounts for assets received. Mandates include the declared value of the assets subject to mandate contracts entered into by the Financial Group. In the mandate is recorder the declared value of the assets established by the mandate contracts celebrated by the Financial Group.

– *Collateral received by the Financial Group*

The balance is composed of all collateral received in repurchase transactions in which the Financial Group is the buying party.

Collateral received and sold or pledged as guarantee by the Financial Group:

The balance is composed of all collateral received in repurchase agreements in which the Financial Group acts as the purchasing party, which in turn was sold by the Financial Group when it acted as the selling party.

– *Assets in custody or administration (unaudited)::*

This account is used to record the movement of assets and securities of third parties which are received in custody, or to be administered by the Financial Group.

– *Uncollected interest earned on non-performing loan portfolio:*

Represents the uncollected accrued interests of non-performing loan portfolio, as well as the uncollected accrued financial revenues.

– *Other record accounts (unaudited):*

This account is used to record the control maturity of the portfolio, control of maturity of liabilities, the classification of the portfolio by degree of risk, inflationary component and control of notional derivatives.

4. Consolidation of subsidiaries

As of December 31, 2018 and 2017, the Financial Group's equity percentage is as follows:

	% Equity percentage
Asesoría Especializada Inburnet, S.A. de C.V.	99.9993%
Banco Inbursa, S.A. Institución de Banca Múltiple	99.9997%
Inbursa Seguros de Caución y Fianzas, S.A., Grupo Financiero Inbursa (antes Fianzas Guardiana Inbursa, S.A., Grupo Financiero Inbursa)	99.9999%
Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa	99.9956%
Pensiones Inbursa, S.A., Grupo Financiero Inbursa	99.9999%
Operadora Inbursa de Fondos de Inversión, S.A. de C.V.	99.9985%
Out Sourcing Inburnet, S.A. de C.V.	99.9980%
Seguros Inbursa, S.A., Grupo Financiero Inbursa	99.9999%
SAI Inbursa, S.A. de C.V.	99.9980%
SP Inbursa, S.A. de C.V.	99.9990%

5. Foreign currency position

As of December 31, the significant foreign currency position in US dollars is comprised as follows:

	2018	**2017**
Assets (millions of US dollars)	10,046	12,165
Liabilities (millions of US dollars)	(9,301)	(11,899)
Asset (liability) position, net in millions of US dollars	745	266
Exchange rate (pesos)	$ 19.6512	$ 19.6629
Total Mexican pesos	$ 14,640	$ 5,234

As of December 31, 2018 and 2017, the Fix (48-hour) exchange rate submitted by the Central Bank and used was $19.6512 and $19.6629 per US dollar, respectively.

On March 13, 2019, the foreign currency position (unaudited), is similar to the position as of the end of 2018, the foreign exchange Fix at this date is $19.3320 per US dollar.

The Central Bank sets the ceilings for foreign currency liabilities and the liquidity ratio that the Financial Group obtains directly or through its foreign agencies, branches or affiliates, which must be determined daily for such liabilities to enable the Financial Group to structure their contingency plans and promote longer term funding within a reasonable time frame.

The Financial Group performs a large number of foreign currency transactions mainly in US dollar and Euro, among others. Given that the parities of their currencies against the Mexican peso are linked ti the US dollar, the overall foreign currency position is consolidated into US dollars at each month-end closing.

6. Funds available

As of December 31, funds available were as follows:

	2018						2017	
	Mexican pesos		Foreign currency		Total		Total	
Cash	$	2,044		36	$	2,080	$	2,124
Deposits in Banks		174		6,952		7,126		2,267
Other funds available		12		11		23		28
Deposits in Central Bank		-		111		111		152
Foreign currency sale from 24 to 96 hours		-		(4,722)		(4,722)		(669)
		2,230		2,388		4,618		3,902
Restricted funds available:								
Deposits in Central Bank (a)		8,633		-		8,633		13,044
Foreign currency purchase from 24 to 96 hours (b)		-		18,855		18,855		4,119
		8,633		18,855		27,488		17,163
	$	10,863	$	21,243	$	32,106	$	21,065

a. ***Deposits in Central Bank***- As of December 31, deposits in Central Bank were as follows:

	2018		2017	
Special accounts (1)				
Regulatory monetary deposits	$	8,623	$	13,037
Accrued interest		10		7
Current accounts:				
Deposits in US dollars		111		152
	$	8,744	$	13,196

(1) The Central Bank requires credit institutions to constitute regulatory monetary deposits, which are established according to demand deposits in Mexican pesos. The term of these regulatory monetary deposits is indefinite, and accrued interest on this deposits is based on the Weighted Average Funding Bank Rate.

b. Foreign currency purchase-sale transactions 24/96 hours- This item refers to currency purchase-sale transactions to be settled in 24 to 96 hours and which are considered as restricted until their settlement date. At December 31, foreign currency transactions were as follows:

	2018				
	Purchase (sale) of foreign currency		**Exchange rate average value**		**Debit settlement account (creditor) in Mexican pesos**
Purchase of foreign currency	959	$	19.6613	$	(18,865)
Sale of foreign currency	(240)		19.6441		4,721
	719			$	(14,144)
Exchange rate at the end of the period (pesos)	$ 19.6512				
Net position in Mexican pesos	$ 14,133				

	2017				
	Purchase (sale) of foreign currency		**Exchange rate average value**		**Debit settlement account (creditor) in Mexican pesos**
Purchase of foreign currency	209	$	19.6524	$	(4,185)
Sale of foreign currency	(34)		19.6597		711
	175			$	(3,474)
Exchange rate at the end of the period (pesos)	$ 19.6629				
Net position in Mexican pesos	$ 3,450				

7. Margin accounts

As of December 31, 2018 and 2017, the margin accounts for futures were as follows::

	2018	2017
Chicago Mercantil Exchange (CME)	$ 315	$ 241

For the years ended December 31, 2018 and 2017, these deposits generated interest income of $2 and $50, respectively.

8. Investment in securities

As of December 31, 2018 and 2017 the investments in securities were as follows:

a. Trading securities

	2018	
	Acquisition cost	Interest accrued
Corporate debt	$ 3,224	$ 51
Marketable certificates	13,899	153
Shares (1)	11,945	-
Treasury Bills (CETES)	60,905	320
Bank promissory note	100	-
Certificates of deposits	6,181	20
Eurobonds	22	1
Euronotes	836	12
Promissory note with yield payable at maturity (PRLV)	330	-
Banking debt	327	-
Foreign values	888	55
BREMS	5,304	6
Saving Protection Bonds (BPATS)	829	30
CEDES FIX	2,000	12
Government bonds	1,855	58
Others	1,344	3
	$ 109,989	$ 721

As of December 31, 2018 and 2017, the maturity period approximately of debt instruments classified as trading securities less than three years were 52.76% and 60.87% respectively.

Restricted securities* - *As of December 31, 2018 and 2017, the restricted securities were as follows:

	2018		
	Acquisition cost	Interest accrued	Valuation increase (decrease)
Marketable certificates	$ 312	$ 4	$ -
Cetes	-	-	-
Shares NYT (1)	1,215	-	1,687
Total	$ 1,527	$ 4	$ 1,687

Valuation increase (decrease)	Total	2017 Total
$ 48	$ 3,323	$ 3,958
504	14,556	18,687
11,644	23,589	19,641
41	61,266	36,859
-	100	168
(1)	6,200	5,433
(3)	20	995
129	977	-
-	330	1,031
-	327	7,729
313	1,256	1,034
(1)	5,309	5,308
(1)	858	-
(1)	2,011	-
(121)	1,792	-
9	1,356	4,821
$ 12,560	$ 123,270	$ 105,664

Total	2017
$ 316	$ 2,769
-	902
2,902	2,658
$ 3,218	$ 6,329

As of December 31, the main ratings granted to the debt securities classified as trading securities by the Bank are as follows (unaudited):

Rating (mex)	% balance of trading securities 2018	2017
A	0.01%	3.43%
AA-	0.42%	0.63%
AA+	8.95%	8.29%
AA	0.03%	0.04%
AAA	63.70%	68.26%
B	-	0.86%
B-	0.03%	0.04%
BBB	-	2.94%
BBB-	0.62%	2.28%
BBB+	3.74%	3.37%
BBB	2.41%	-
Otras	20.09%	9.86%
	100%	100%

The capital requirement for the capital market positions at December 31, 2018 of the Financial Group was $5,545, the issuer risk requirement of $486 and the requirement for participation in asset securitization schemes $203.

The issuer risk requirement in SOFOM Inbursa as of December 31, 2018 was $1.18.

Then, we describe the type of risk to which the trading securities are inherent (unaudited information).

2018 Type value	Treatment
Currency: Mexican peso	
Corporate debt	Market and Credit Risk requirement
Cetes	Market Risk requirement
Banking debt	Market and Credit Risk requirement
BPA182	Market Risk requirement
Bondesd	Market Risk requirement
Government bonds	Market Risk requirement
Brems	Market Risk requirement
Currency: UDI	
Marketable certificates	Market and Credit Risk requirement
Corporate debt	Market and Credit Risk requirement
Udibonos	Market Risk requirement
Currency: US dollar	
Corporate debt	Market and Credit Risk requirement
Currency: Euro	
Corporate debt	Market and Credit Risk requirement
Currency: Sterling pound	
Corporate debt	Market and Credit Risk requirement
Currency: Sterling pound	
Shares	Market Risk requirement
Currency: US dollar	
Shares	Market Risk requirement
Currency: Mexican peso	
Fibers	Market Risk requirement

b. ***Securities available for sale-*** Al of December 31, the investments in securities available for sale, corresponding to corporate debt, are integrated as follows:

	2018				2017
	Acquisition Cost	Accrued Interest	Valuation increase (decrease)	Total	Total
Marketable certificates	$ 6,746	$ 89	$ 754	$ 7,589	$ 5,563
Shares	46	-	49	95	89
Other	244	20	-	264	1,017
Eurobonds	4,143	91	(418)	3,816	1,682
Total of available for sale securities	$ 11,179	$ 200	$ 385	$ 11,764	$ 8,351

c. ***Securities held to maturity*** - As of December 31, the securities held to maturity were as follows:

	2018				2017
	Acquisition cost	Accrued interest	Gain	Total	Total
Marketable certificates	$ 1,104	$ -	$ 623	$ 1,727	$ 3,136
Deposit certificates	-	-	-	-	1,039
Udibonds	454	1	32	487	15,783
	$ 1,558	$ 1	$ 655	$ 2,214	$ 19,958

As of December 31, 2018 and 2017, the Financial Group does not hold positions in debt securities, other than government securities, issued by an issuer that represent more than 5% of the net capital of the Financial Group.

9. Repurchase agreements

As of December 31, 2018 and 2017, the Financial Group maintains a repurchase operations position as follows:

Acting the Financial Group as a reporter:

	2018		
	Repurchase agreements	Collateral received and sold or pledged as guarantee	Repurchase agreements, net
Federal Government Development Bonds (BONDES)	$ 43,809	$ 43,717	$ 92
IPAB bonds	25,700	-	25,700
Marketable securities	11,465	11,441	24
	$ 80,974	$ 55,158	$ 25,816

	2017		
	Repurchase agreements	Collateral received and sold or pledged as guarantee	Repurchase agreements, net
Federal Government Development Bonds (BONDES)	$ 24,929	$ 26,384	$ (1,455)
IPAB bonds	15,771	-	15,771
Marketable securities	4,182	10,314	(6,132)
	$ 44,882	$ 36,698	$ 8,184

As of December 31, 2018 and 2017, the average period for the repurchase agreements is for 3 days, respectively.

Acting the Financial Group as reported:

	2018	2017
Marketable certificates	$ 317	$ 2,791
Promissory note with yield payable at maturity	-	902
Recognized value	$ 317	$ 3,693

As of December 31, 2018 and 2017, the average period for the repurchase agreements is for 3 days for both years..

Premiums earned and paid - - For the years ended December 31, 2018 and 2017, the total amount of premiums earned and paid for repurchase agreements were as follows (Note 35):

	2018	2017
Premiums earned (purchaser)	$ 3,721	$ 3,167
Premiums paid (seller)	2,792	3,213
	$ 929	$ (46)

Collateral received by the entity - As of December 31, the collateral received by the Financial Group concerning sale and repurchase agreements, were comprised as follows:

	2018	2017
Federal Government Development Bonds (BONDES)	$ 46,365	$ 19,828
IPAB bonds	25,677	15,771
Marketable securities	8,658	9,229
Amount recognized in memorandum accounts	$ 80,700	$ 44,828

10. Derivatives

As of December 31, the position for transactions with financial derivatives is as follows:

	2018			
	Accounting amount		Balance compensation	
	Asset	Liability	Asset	Liability
Trading derivatives				
Futures	$ 3,797	$ 3,885	$ -	$ 88
Forward contracts	44,483	47,063	655	3,235
Options	-	433	-	433
Swaps:				
Currency swaps	41,841	44,004	257	2,420
Rates - US dollars	19,824	18,264	2,545	985
Rates - Mexican peso	39,467	38,387	4,407	3,327
Total trading derivatives	149,412	152,036	7,864	10,488
Hedging derivatives				
Swaps:				
Currency swaps	25,352	32,238	92	6,978
Rates - Mexican peso	17,583	13,967	3,616	-
Total hedging derivatives	42,935	46,205	3,708	6,978
	$ 192,347	$ 198,241	$ 11,572	$ 17,466

	2017			
	Accounting amount		Balance compensation	
	Asset	Liability	Asset	Liability
Trading derivatives				
Futures	$ 2,720	$ 2,812	$ -	$ 92
Forward contracts	74,427	77,797	875	4,245
Options	-	405	-	405
Swaps:				
Currency swaps	52,582	56,991	156	4,565
Rates - US dollar	21,338	19,909	2,689	1,260
Rates - Mexican peso	41,232	40,136	2,903	1,807
Total trading derivatives	192,299	198,050	6,623	12,374
Hedging derivatives Swaps:				
Currency swaps				
Rates - Mexican peso	19,883	32,687	-	12,803
Total hedging derivatives	14,906	12,094	2,812	-
	34,789	44,781	2,812	12,803
	$ 227,088	$ 242,831	$ 9,435	$ 25,177

Upon executing transactions with Over the Counter ("OTC") derivatives, the Financial Group agrees to deliver and/or receive collateral, to cover any exposure to market risk and the credit risk of such transactions. Such collateral is contractually agreed to with each of the counterparties.

Currently, the collaterals assigned to operations with Mexican and foreign financial entities are comprised principally of cash deposits, that is, there are no securities delivered as collateral for derivative transactions.

Fair value hedging -

Following is an integration of the hedge transactions as of December 31, 2018 and 2017:

Covered position	Designated financial instrument	Hedge's maturity date	Notional amount
		2018	
Fair value hedging-			
Commercial loan portfolio-interest rate risk	Swaps IRS	April 10, 2026	$ 500
Total fair value hedging			
			500
Cash flow hedges-			
Marketable certificates - interest rate risk			
Marketable certificates - interest rate risk	Swaps IRS	April 13, 2033	5,000
Marketable certificates - interest rate risk	Swaps IRS	August 10, 2034	9,896
Marketable certificates - interest rate risk (loan)	Swaps IRS	April 03, 2024	5,000
Commercial loan portfolio-exchange rate risk	Swaps IRS	June 29, 2034	23,100
Commercial loan portfolio-exchange rate risk	Swaps CCS	April 15, 2033	10,356
Commercial loan portfolio-exchange rate risk	Swaps CCS	June 25, 2025	5,289
Commercial loan portfolio-exchange rate risk	Swaps CCS	December 15, 2023	2,881
Commercial loan portfolio-exchange rate risk	Swaps CCS	September 21, 2023	6,746
Total cash flow hedges			68,268
			$ 68,768

Covered position	Designated financial instrument	Hedge's maturity date	Notional amount
		2017	
Fair value hedging-			
Commercial loan portfolio-interest rate risk	Swaps IRS	April 10, 2026	$ 500
Total fair value hedging			500
Cash flow hedges-			
Commercial loan portfolio-interest rate risk	Swaps CCS	June 1, 2018	2,700
Commercial loan portfolio-interest rate risk	Swaps CCS	April 15, 2033	19,817
Marketable certificates - interest rate risk	Swaps IRS	April 13, 2033	5,000
Marketable certificates - interest rate risk	Swaps IRS	August 10, 2034	9,896
Marketable certificates - interest rate risk (loan)	Swaps IRS	June 29, 2034	25,400
Total cash flow hedges			62,813
			$ 63,313

In all cases, the derivative instrument seeks to compensate losses in the market value of the hedged position caused by movements in interest rates. In this way, Management provides stability in the result of these positions and limits the risk of abrupt movements in market rates. As result, if fluctuations in exchange rates can cause a loss, the swap covers the amount lost; and vice versa, when additional are generated in the primary position, these are delivered in the hedging swap and are recognized accordingly (with impact on equity and incomes).

As of December 31, 2018 and 2017, the efficiency tests of the hedges designed by the Financial Group are in the range of 80% and 125% required by the Accounting Criteria of the Commission.

	Hedge's fair value	Profit or loss recognized in the year	Profit or loss recognized in comprehensive income	Inefectivity generated in the year
	$ 41	$ 5	$ -	$ -
	41	5	-	-
	594	-	-	-
	1,160	-	44	-
	244	-	297	-
	1,583	-	244	-
	(6,831)	-	5,979	-
	86	-	86	7
	(51)	-	(51)	-
	(97)	-	(97)	-
	(3,312)	-	6,502	7
	$ (3,271)	$ 5	$ 6,502	$ 7

	Hedge's fair value	Profit or loss recognized in the year	Profit or loss recognized in comprehensive income	Inefectivity generated in the year
	$ 36	$ 36	$ -	$ -
	36	36	-	-
	24	-	(77)	-
	(12,803)	-	639	-
	550	-	(52)	(1)
	863	-	(39)	(25)
	1,339	-	(229)	-
	(10,027)	-	242	(26)
	$ (9,991)	$ 36	$ 242	$ (26)

Collateral delivered and received in derivative transactions –

The guarantees and/or collateral received and delivered for the derivative financing transactions as of December 31, 2018 and 2017, are comprised as follows:

Delivered

Caption	**2018**	**2017**
Accounts receivable, net		
Margin accounts	$ 315	$ 241
Collateral and / or guarantee delivered	6,935	15,065
Total	$ 7,250	$ 15,306

Recibidos

Caption	**2018**	**2017**
Collateral and / or guarantee received	$ 4,180	$ 2,125

Management of derivative financial instruments usage policies

The policies of the Financial Group allow the use of derivatives for hedging and/or trading purposes. The main objectives of these products are covering risks and maximizing profitability.

The instruments used are:

- Forwards contracts for trading purposes.
- Futures contracts for trading purposes.
- Trading and hedging swaps.
- Currency swaps.
- Interest rates swaps.
- Options for trading purposes.
- Mexican peso, currency and investment units.
- Nominal interest, real or surcharges rates and debt securities.

Additionally, the Financial Group is authorized to operate credit derivatives in over the counter markets for credit default (Credit Default Swap), Total Return (Total Return Swap) and Securities Credit Linkage (Credit Link Note).

According to the portfolios, implemented strategies can be hedging or negotiation.

Trading markets:

- Listed (Recognized Markets)
- Over the Counter (OTC)

Eligible counterparts: national and foreign with internal authorizations.

The appointment of calculation agents is established in the legal documentation executed with the counterparties.

The prices published by price suppliers are used to value derivative instruments is organized markets and are based on the prices generated in derivative markets. OTC derivatives are valued using prices calculated by the derivatives system, using the risk factor information published by the price supplier.

The main terms or conditions of the contracts are based on those of the International Swaps and Derivatives Association, Inc. (ISDA) or the local outline agreement, which is based on the guidelines provided by the ISDA. The specific policies regarding margins, collateral, and lines of credit are detailed in the Derivatives Manual and any changes thereto must be approved by the Risk Committee.

Authorization levels and processes

Pursuant to internal regulations, all products or services sold by the Financial Group are approved by the authorized areas in accordance with the approved development of new products procedure.

All of the areas involved in the operation of the product or service, depending on their nature, as well as those responsible for their accounting, legal documentation, tax treatment and risk assessment, participate in the Committee. The authorizations of the Committees must be unanimous as there are no authorizations granted by a majority of members. In addition to the Committees' approval, certain products require the authorization of local authorities; therefore, the approvals of the Committees are conditional upon the authorization required by competent authorities, as applicable.

Finally, all politics and procedures of new products are presented to the Internal Audit Committee and in other cases to the Board of Directors.

Independent reviews

The Financial Group is subject to the supervision and oversight of the Commission and Central Bank, which are exercised through follow-up processes, inspection visits, information and documentation requirements and submission of reports.

Similarly, internal auditors perform periodic reviews

Generic description of valuation techniques

Derivative financial instruments are valued at their fair value according to the accounting standards detailed in Criterion B-5, Derivative financial Instruments and Hedge Transactions, issued by the Commission.

Valuation methodology

1. For hedging purposes:

   The Financial Group suspends hedge accounting when the derivative has matured, has been sold, cancelled or exercised, when it does not reach a sufficiently high effectiveness level to offset the changes in the fair value or cash flows of the hedged item, or when the hedging designation is cancelled.

   It must be shown that the hedge effectively complies with the objective for which the derivatives were contracted. This effectiveness requirement assumes that the hedge must comply with a maximum deviation range of 80% to 125% in regard to the initial objective.

   The effectiveness of the hedges must be proven by applying two tests:

   a. Prospective test: Shows that in the future the hedge will remain within the maximum range.

   b. Retrospective test: reviews whether the hedge has remained within the maximum range from its establishment to date.

   As of December 31, 2018 and 2017, fair value and cash flow hedges are prospectively and retrospectively efficient and are located within the maximum permitted deviation range.

2. Reference variables

   The most relevant reference variables are:

- Exchange rates.

- Interest rates.

3. Valuation frequency

The frequency which the derivatives are valued is in accordance with the Accounting Criteria established by the Commission.

a. ***Futures*** - As of December 31, 2018 and 2017, net amount of contracts of futures operations contracted with CME and MexDer were as follows:

b.

	2018 Number. of contracts			2017 Number of contracts		
	CME	MexDer	Maturity	CME	MexDer	Maturity
Purchase	-	-	-	5,525	-	March 2018
Sale	7,868	-	March 2019	-	-	-

As of December 31, 2018 and 2017, the net position for futures contracted with CME are referred to notional values of $3,797 and $2,812, respectively.

Impairment of financial derivatives -

As of December 31, 2018 and 2017, there is no indication of impairment in credit risk (counterparty) that requires modifying the carrying amount of financial assets from the rights in derivative financial instruments.

Operations with financial derivative instruments imply liquidity, market, credit and legal risks. In order to reduce risk exposure, the Financial Group has established specific risk management policies and procedures (Note 41).

Formal hedge documentation -

Once cash flow and fair value hedges are structured, the Financial Group prepares an individual file for each instrument containing the following documentation:

– The strategy and objective of the Financial Group's risk management, as well as the justification to carry out the hedging operation.
– The specific risk or risks to be hedged.
– Hedge structure identifying the derivative financial instruments contracted for hedging purposes and the item generating the hedged risk.
– Definition of the elements composing the hedge, its objective and a reference to the effectiveness valuation method.
– Contracts for the hedged item and hedging instrument, as well as confirmation from the counterparty.
– Periodic hedge effectiveness tests at the prospective level regarding its estimated future evolution and at the retrospective level, concerning its past behavior. These tests are applied at least at the end of each quarter, according to the valuation method defined when creating the hedge files.

11. Valuation adjustment for hedged financial assets

The Financial Group determines the valuation adjustment from the hedging of financial assets by individual and portfolio loans from fair value hedges for interest rate risks.

According to the inherent risk of the loans, the portfolio is classified into three groups: national currency portfolio with fixed interest rate, foreign currency portfolio with fixed interest rate (US dollars) and foreign currency loan portfolio with variable interest rate. For each of these groups, loans which are required to be hedge are identified. Consumer loans, mortgage loans and commercial loans are included within these groups.

As of December 2018 and 2017, the valuation effect regarding the hedged risk by type of loan was $500, which is detailed as follows:

	2018			
	Valuation adjustment balance as of Dec 31, 2017	Resultado por valuación	Amortización del ajuste de valuación (1)	Saldo ajuste de valuación al 31-dic-18
Loan portfolio with fixed interest rate - Mexican pesos	$ (10)	$ (4)	$ (37)	$ (51)
Loan portfolio with fixed interest rate - US dollars	167	-	(101)	66
Loan portfolio with variable interest rate - US dollars	(16)	-	10	(6)
Correspondidos de origen		-		
Ineffective loan portfolio	295	-	19	314
	$ 436	$ (4)	$ (109)	$ 323

	2017			
	Valuation adjustment balance as of Dec 31, 2016	Result from valuation	Valuation adjustment amortization (1)	Valuation adjustment balances as of Dec 31, 2017
Loan portfolio with fixed interest rate - Mexican pesos	$ 84	$ (73)	$ (21)	$ (10)
Loan portfolio with fixed interest rate - US dollars	287	-	(120)	167
Loan portfolio with variable interest rate - US dollars	(29)	-	13	(16)
Ineffective loan portfolio		-		
Portafolio de créditos ineficientes	305	-	(10)	295
	$ 647	$ (73)	$ (138)	$ 436

(1) (1) For those cases in which the fair value hedge on primary position is revoked, the valuation effect regarding the hedged risk is amortized over the remaining period of the loan.

As of December 31, 2018 and 2017, changes in the fair value of derivatives were recognized as financial margin within the statements of income, and are comprised as follows (Note 35a):

	2018	2017
Results from changes in value of hedging instruments (Note 34a)	$ 24	$ 17
Amortization from valuation of primary position hedge	(148)	(211)
	$ (124)	$ (194)

12. Loan portfolio

Detail of performing and non-performing loan portfolio by type of loan - - As of December 31, 2018 and 2017, the loan portfolio was as follows:

			2018
		Performing loan	
Concept	Capital	Interest	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	$ 107,423	$ 720	$ 108,143
Loans to financial institutions	6,221	147	6,368
Consumer loans	45,391	586	45,977
Housing loans	5,491	28	5,519
	164,526	1,481	166,007
US dollars translated to Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	58,988	876	59,864
Loans to financial institutions	2,425	7	2,432
Loans to government entities	11,824	460	12,284
	73,237	1,343	74,580
UDI translated to Mexican pesos			
Commercial loans-			
Commercial or corporate activity	3,617	13	3,630
Consumer loans	1	-	1
	3,618	13	3,631
Total	$ 241,381	$ 2,837	$ 244,218

			2017
		Performing loan	
Concepto	Capital	Interest	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	$ 103,068	$ 796	$ 103,864
Loans to financial institutions	5,026	19	5,045
Loans to government entities	11,880	208	12,088
Consumer loans	46,984	624	47,608
Housing loans	6,171	40	6,211
	173,129	1,687	174,816
US dollars translated to Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	89,556	785	90,341
Loans to financial institutions	3,333	4	3,337
Loans to government entities	11,803	483	12,286
	104,692	1,272	105,964
UDI translated to Mexican pesos			
Consumer loans	1	-	1
Housing loans	1	-	1
	2	-	2
Total	$ 277,823	$ 2,959	$ 280,782

	Non-performing loan		
	Capital	Interest	Total
	$ 1,837	$ 46	$ 1,883
	1	-	1
	2,868	101	2,969
	839	13	852
	5,545	160	5,705
	248	2	250
	-	-	-
	-	-	-
	248	2	250
	-	-	-
	-	-	-
	-	-	-
	$ 5,793	$ 162	$ 5,955

	Non-performing loan		
	Capital	Interest	Total
	$ 2,177	$ 32	$ 2,209
	-	-	-
	-	-	-
	3,083	110	3,193
	631	11	642
	5,891	153	6,044
	2,605	47	2,652
	-	-	-
	-	-	-
	2,605	47	2,652
	-	-	-
	-	-	-
	-	-	-
	$ 8,496	$ 200	$ 8,696

Limits for operations – The Commission and the Law of Credit Institutions (LIC) establish limits which financial credit institutions must take into consideration when granting loans.

Loans to related parties: The LIC establishes limits for loans granted to related parties. As per regulations, the total sum of loans with unconditional and irrevocable guarantees granted to related parties cannot exceed the 35% of the basic net capital. As of December 31, 2018 and 2017, the loan amounts delivered to related parties in accordance with Article 73 of the LIC are $25,781 and $19,854, respectively, which were approved by the Board of Directors

Related parties	2018	2017
Minera Frisco	$ 7,313	$ 5,598
Teléfonos de Mexico, S.A.B. de C.V.	6,021	6,467
Grupo IDESA	3,223	2,943
Promotora del Desarrollo de America Latina	2,781	-
Cementos Portland Valderrivas	1,582	-
Janel	1,260	854
Etileno XXI	921	922
Galas de México	918	825
Artes Gráficas Unidas	565	556
Caixia	301	319
Jasame	230	231
Parque Acuático Nuevo Veracruz	140	146
Operadora Cicsa, S.A. de C.V.	135	147
Grupo Piscimex	58	45
CIII	55	54
Tabasco Oil Company	52	27
Argos Comunicación	49	-
Jkk Pack	38	-
Ondare	30	-
Grupo Sanborns	24	24
Aspel de México	20	30
Bicicletas de México	20	30
Promotora Inbursa	20	-
Grupo Sedas Cataluna	10	10
CE G Sanborns, S.A. de C.V.	7	-
Sears Operadora México	4	23
CE G Sanborns Monterrey, S.A. de C.V.	2	2
Productos Dorel	1	55
Condumex	1	1
Grupo Convertidor Industrial	-	452
Giant Motors Latinoamerica	-	61
Persona física relacionada	-	20
Selmec Equipos Industriales	-	6
Operadora medica VRIM, S.A. de C.V.	-	5
CE G Sanborns, S.A. de C.V.	-	1
Total	$ 25,781	$ 19,854
Basic Capital (September 2018 and 2017) (unaudited)	84,256	72,205
Basic Capital to 35%	29,490	25,272
Surplus	$ 3,709	$ 5,418

Risk concentration analysis

Policy and methods used to identify distressed commercial loans – The loans granted to the borrower or business groups, they represent a common risk, are considered as one, must comply with the maximum limit that results from applying the following table:

Limit as a percentage of the basic capital	Capitalization level of the financing
12%	More than 8% and up to 9%
15%	More than 9% and up to 10%
25%	More than 10% and up to 12%
30%	More than 12 and up to 15%
40%	More than 15%

Loans granted with unconditional and irrevocable guarantee to institutions or financial foreign entities that are rated in the lowest risk classification may exceed the maximum limit established for that type of entity. However, it cannot represent more than 100% of the Financial Group's basic capital. As of December, 2018 and 2017, the bank subsidiary is performing in accordance with the described limits.

- **Analysis for portfolio by economic sector**

As of December 31, the percentages of concentration by economic sector were as follows:

	2018		2017	
	Amount	Percentage of concentration	Amount	Percentage of concentration
Private (business and personal)	$ 173,786	69%	$ 199,067	69%
Consumer	48,931	20%	50,802	18%
Loans to government entities	12,284	5%	24,374	8%
Finance	8,801	3%	8,382	3%
Housing	6,371	3%	6,853	2%
	$ 250,173	100%	$ 289,478	100%

- **Analysis for portfolio by region**

As of December 31, 2018 and 2017, the percentages of concentration by region were as follows:

	2018		2017	
Region	Amount	Percentage of concentration	Amount	Percentage of concentration
Center	$ 178,546	72%	$ 176,320	61%
North	32,740	13%	51,696	18%
South	10,856	4%	12,065	4%
Foreign countries and others	28,031	11%	49,397	17%
	$ 250,173	100%	$ 289,478	100%

- **Other financing limits s**

The sum of loans granted to the Financial Groups three largest borrowers, loans granted exclusively to other banks and loans taken out by government agencies and state-owned entities, including public trust funds, may not exceed 100% of the bank subsidiary.

As of December 31, 2018 and 2017, the maximum balance of loans granted to the three major clients were $27,733 and $28,287, respectively, this represented 32.91% and 39.18% of the Bank basic capital of the previous quarter, calculated at the end of 2018 and 2017, respectively.

As of December 31, 2018 and 2017, Banco Inbursa had granted financing four and nine loans, respectively, that exceed 10% of the basic capital of the previous quarter. As of December 31, 2018, this funding amounted was $67,317 and represented 79.8% of basic capital of the previous quarter, while at the end of 2017 was $97,090, represented by 134% of basic capital of the previous quarter.

Policy and methods used to identify distressed commercial loans **-** For disclosure proposes in the financial statements, the Financial Group considers distressed portfolio commercial loans for which it is determined that, based on current information and events as well as in the process of reviewing the loan, there is significant possibility that no can be recovered in full, both its component of principal and interest in accordance with the terms and conditions originally agreed. Both the performing portfolio as non-performing are likely to be identified as distressed portfolio.

Distressed loans include loans that carry risk ratings of D and E. As of December 31, 2018 and 2017, the distressed portfolio was as follows:

	2018		
	Performing	Non-performing	Total
Commercial loans	$ 1,244	$ 2,026	$ 3,270
Consumer loans	2,439	2,969	5,408
Housing loans	49	715	764
Total	$ 3,732	$ 5,710	$ 9,442

	2017		
	Performing	Non-performing	Total
Commercial loans	$ 585	$ 4,857	$ 5,442
Consumer loans	3,881	3,193	7,074
Housing loans	100	522	622
Total	$ 4,566	$ 8,572	$ 13,138

a. Restructured loan portfolio

1) Balances -

As of December 31, 2018 and 2017, restructured loan portfolio balances were as follows:

	2018		
	Performing	Non-performing	Total
Commercial loans	$ 14,875	$ 418	$ 15,293
Consumer loans	1	3	4
Housing loans	3	7	10
Total	$ 14,879	$ 428	$ 15,307

	2017		
	Performing	Non-performing	Total
Commercial loans	$ 24,088	$ 279	$ 24,367
Consumer loans	5		5
Housing loans	5	92	97
Total	$ 24,098	$ 371	$ 24,469

2) Additional guarantees for restructured loans

As of December 31, 2018 and 2017, additional guarantees received for restructured loans were as follows:

2018		
Type of credit	Balance	Nature guarantee
Loans granted in Mexican pesos		
Simple with other guarantees	$ 22,891	Pledged, mortgage
Simple with endorsement	9	Mortgage
Housing	21	Mortgage
	$ 22,921	

2017		
Type of credit	Balance	Nature guarantee
Loans granted in Mexican pesos		
Simple with mortgage guarantee	$ 11,280	Pledged, mortgage
Simple with other guarantees	8,768	Pledged, mortgage
Simple with pledged guarantee	3,892	Public shares, private shares and mortgage
Simple with no real guarantees	4,452	Mortgage
Simple with endorsement	6	Mortgage
Housing	218	Mortgage
	$ 28,616	

Non-performing loan portfolio

- **Aging**

As of December 31, 2018 and 2017, the aging of non-performing loan portfolio was as follows:

	2018	2017
From 1 to 180 days	$ 2,681	$ 5,430
From 181 to 365 days	1,351	1,622
From 366 days to 2 years	881	528
Greater than two years	1,042	1,116
	$ 5,955	$ 8,696

- **Transfers**

For the years ended December 31, 2018 and 2017, transfers to non-performing portfolio were as follows:

	2018	2017
Opening balance	$ 8,696	$ 7,806
Add (less):		
Net transfers from performing portfolio to non-performing portfolio and vice versa	7,011	11,455
Foreclosures	(152)	(319)
Impairments	(9,600)	(10,246)
Ending balance	$ 5,955	$ 8,696

For the years ended December 31, 2018 and 2017, the Financial Group did not record write-offs, impairments and applications of loans granted to related parties, which therefore involved the elimination of the respective assets.

b. ***b. Commissions and costs charged per consolidated product*** – Commissions and costs charged per consolidated product are integrated on December 31, 2018 and 2017 as follows:

	2018	2017
Consumer	$ 1,806	$ 1,580
Simples	519	294
Letter of credit	150	71
	$ 2,475	$ 1,945

13. Allowance for loan losses

For the years ended December 31, 2018 and 2017, the allowance for loan losses was as follow:

	2018	2017
Commercial loan portfolio (a)		
Commercial or corporate activity	$ 3,654	$ 4,821
Loans to financial institutions	200	84
Loans to government entities	61	106
Consumer loans (b)	5,321	6,425
Housing loans (c)	382	310
	$ 9,618	$ 11,746

As of December 31, 2018 and 2017, the additional allowance was $50 and $69, respectively.

As of December 31, 2018 and 2017, the allowance for loan losses disaggregated were as follows

a. ***Commercial loans (includes credits granted to financial and governmental institutions)***

Degree of risk	2018 Portfolio classification by degree of risk	2018 Amount of allowance recorded	2017 Portfolio classification by degree of risk	2017 Amount of allowance recorded
A-1	$ 155,543	$ 833	$ 181,377	$ 872
A-2	33,233	394	46,396	590
B-1	10,475	170	9,770	167
B-2	7,149	151	6,280	122
B-3	5,838	210	5,535	187
C-1	577	37	1,131	73
C-2	1,976	248	361	44
D	2,087	667	4,403	1,879
E	1,183	1,183	1,039	1,038
Cartera calificada	218,061	3,893	256,292	4,972
Estimación adicional		22		39
Estimación constituida		$ 3,915		$ 5,011
Menos				
Cartas de crédito	(22,685)		(24,096)	
Intereses cobrados por anticipados	(521)		(374)	
Cartera de crédito, neta	$ 194,855		$ 231,822	

b. ***Consumer loans***

Degree of risk	2018 Portfolio classification by degree of risk	2018 Amount of allowance recorded	2017 Portfolio classification by degree of risk	2017 Amount of allowance recorded
A-1	$ 20,790	$ 401	$ 20,929	$ 371
A-2	5,874	252	4,952	217
B-1	3,661	198	3,304	181
B-2	4,974	250	5,255	258
B-3	1,340	108	1,483	115
C-1	4,167	391	4,565	419
C-2	2,733	428	3,241	523
D	2,087	778	2,905	1,241
E	3,321	2,494	4,169	3,076
Rated portfolio	$ 48,947	5,300	$ 50,803	6,401
Additional allowance		21		24
Allowance created		$ 5,321		$ 6,425

c. ***Housing loans***

Degree of risk	2018 Portfolio classification by degree of risk	2018 Amount of allowance recorded	2017 Portfolio classification by degree of risk	2017 Importe de la estimación
A-1	$ 4,476	$ 9	$ 4,990	$ 12
A-2	253	2	340	2
B-1	163	1	155	1
B-2	206	2	234	3
B-3	124	2	116	2
C-1	164	5	179	6
C-2	221	19	217	19
D	422	112	372	97
E	342	223	250	162
Rated portfolio	$ 6,371	375	$ 6,853	304
Additional allowance		7		6
Recorded allowance		$ 382		$ 310

d. ***Movements of the allowance for loan losses***

For the years ended December 31, 2018 and 2017, the movements of the allowance for loan losses were as follow:

	2018	2017
Opening balances	$ 11,746	$ 12,088
Add (less):		
Initial adjust for consolidation	-	(108)
Increase in allowance	8,199	10,053
Effect of methodology change	-	122
Transfer to reserves from foreclosed assets	(740)	-
Applications of allowance	(9,600)	(10,246)
UDI and foreign currency valuation	13	(163)
Ending balance	$ 9,618	$ 11,746

14. Accounts receivable from insurance and surety companies, net

As of December 31, were as follows:

	2018	2017
Loans with collateral	$ 27	$ 31
Unsecured loans	17	
Loans on policies	343	368
Non-performing loans	1,298	1,332
	1,685	1,731
Allowance for doubtful accounts	(9)	(42)
	$ 1,676	$ 1,689

15. Premiums receivable, net

As of December 31, were as follows:

	2018		2017	
Premium debtors from accident and health and damage	$	5,943	$	6,172
First year premiums receivable		530		532
Renewal premiums receivable		758		724
Premiums due for bonds		480		482
Debt receivable from federal government agencies and entities		542		735
	$	8,253	$	8,645

16. Receivable from reinsurers and surety, net

As of December 31, were as follows:

	2018		2017	
Reinsurers' share	$	8,951	$	10,830
Insurance companies		772		540
Retained premiums from ceded reinsurance and rebounding		1		1
		9,724		11,371
Allowance for loan losses of foreign reinsurance		(22)		(21)
	$	9,702	$	11,350

17. Other receivables, net

As of December 31, were as follows:

	2018		2017	
Recoverable income tax	$	1,407	$	1,450
Receivables from liquidation of transactions		4,721		711
Receivables from margin accounts in derivative instruments		6,935		15,065
Commission receivable		8		4
Other debtors		2,380		1,840
		15,451		19,070
Allowance for losses		(147)		(151)
	$	15,304	$	18,919

18. Foreclosed assets, net

As of December 31, were as follows:

	2018		2017	
Securities, sundry assets and rights allocated	$	1,089	$	1,333
Foreclosed assets		2,674		2,845
		3,763		4,178
Less - Allowance for losses on assets, real state, securities and foreclosed assets		(2,452)		(2,172)
Total	$	1,311	$	2,006

19. Property, furniture and fixtures, net

As of December 31, were as follows:

	Rate	2018	2017
Buildings	5%	$ 5,302	$ 5,003
Office furniture and equipment	10%	1,120	1,074
Electronic computers equipment	30%	2,257	2,097
Vehicles	25%	195	185
Land		639	408
Leased assets		963	910
Others		132	129
		10,608	9,806
Less-			
Accumulated depreciation and amortization		(3,815)	(3,492)
Total		$ 6,793	$ 6,314

For the years ended December 31, 2018 and 2017, depreciation was $497 and $510, respectively.

As of December 31, 2018 and 2017, leasing assets under operating leases had carrying values of $160 and $156, respectively.

20. Investment in shares

As of December 31, long term investment in shares were as follows:

Issuer	Balance 2017	2018 Contributions	2018 Equity in results	2018 Other changes	Balance 2018
Inversiones de capital de riesgo:					
Infraestructura y Transporte de México	$ 817	$ -	$ 102	$ -	$ 919
Havas Media	9	-	(6)	(1)	2
Argos Comunicación	81	-	21	(1)	101
In Store México	89	-	52	(30)	111
Salud Interactiva	184	-	28	(31)	181
Salud Holding	41	(10)	13	-	44
Giant Motors Latinoamerica	163	-	17	-	180
Gas Natural México	1,897	-	193	(240)	1,850
Enesa	328	(296)	157	-	189
Aspel Holding	781	-	165	(64)	882
Patia Biopharma	21	-	(11)	-	10
Grupo IDESA	1,825	-	(43)	(1)	1,781
Excellence Freights de México	37	-	(2)	(4)	31
Patiacan	2	-	(1)	-	1
Hitss Solutions	546	-	29	-	575
Parque Acuático Inbursa	82	3	(14)	-	71
Star Médica	1,591	-	36	(25)	1,602
Soficam	21	-	2	-	23
Sistema de Administración y Servicios	1	-	-	-	1
Operadora Chelsen	3	-	(1)		2
Laboratorio de Diseño en Alimentos	1	-	-	-	1
Contalisto	1	-	-	-	1
Fanbot, S.A.P.I.	2	-	-	(1)	1
Soccerton Games	1	-	(1)	1	1
Others	439	-	-	-	439
	8,963	(303)	736	(397)	8,999

Issuer	Balance 2017	Contributions	2018 Equity in results	 Other changes	Balance 2018
Other investments:					
Inbursa Siefore, S.A. de C.V.	493	-	26	26	545
Inbursa Siefore Básica, S.A. de C.V.	153	-	9	-	162
Inbursa Siefore Básica 3, S.A. de C.V.	523	-	26	(26)	523
Inbursa Siefore Básica 4, S.A. de C.V.	386	-	14	-	400
Inbursa Siefore Básica de Pensiones, S.A. de C.V.	68	-	5	-	73
Procesar, S.A. de C.V.	8	-	-	-	8
Asociación de Bancos de México, A.C.	8	-	-	-	8
Procesadora de pagos móviles	72	-	-	-	72
Sociedades de Inversión	154	-	9	(14)	149
Promotora Ideal	377	-	56	(28)	405
Autopista Arco Norte	16	-	7	(9)	14
Claro Shop.com	155	-	-	-	155
Guardiana LLC	60	-	30	(25)	65
Others	-	-	(14)	18	4
	2,473	-	168	(58)	2,583
	$ 11,436	$ (303)	$ 904	$ (455)	$ 11,582

Issuer	Balance 2016	Contributions	2017 Equity in results	 Other changes	Balance 2017
Venture capital investments					
Infraestructura y transportes México	$ 772	$ -	$ 45	$ -	$ 817
Havas media	25	-	(16)	-	9
Argos comunicación	83	3	(5)	-	81
In store de México	78	-	11	-	89
Soficam	14	5	2	-	21
Parque acuático inbursa	93	5	(16)	-	82
Star medica	1,551	-	62	(22)	1,591
GMéxico transportes	2,832	-	392	(3,224)	-
Salud interactiva	186	-	23	(25)	184
Salud holding	41	-	9	(9)	41
Giant motors latinoamérica	138	18	7	-	163
Gas natural México	1,692	-	234	(29)	1,897
Patiacan	3	-	-	(1)	2
Enesa	181	(63)	210	-	328
Patia Biopharma	15	16	(10)	-	21
Sistemas de administración y servicios	1	-	-	-	1
Grupo IDESA	1,800	-	29	(4)	1,825
Excellence freights de México	36	-	6	(5)	37
Hitss solutions	507	-	39	-	546
Aspel Holding	721	-	156	(96)	781
Laboratori de diseño en alimentos	-	1	-	-	1
Contalismo	-	1	-	-	1
Operadora chelsen	-	3	-	-	3
Fanbot S.A.P.I.	-	2	-	-	2
Soccerton games	-	1	-	-	1
Fideicomiso GEO	439	-	-	-	439
	11,208	(8)	1,178	(3,415)	8,963

	Balance 2016	Contributions	2017 Equity in results	Other changes	Balance 2017
Other investments:					
Asociación de Bancos de México, A.C.	12	-	-	(4)	8
Inbursa Siefore, S.A. de C.V.	438	-	30	25	493
Inbursa Siefore Básica, S.A. de C.V.	143	-	10	-	153
Inbursa Siefore Básica 3, S.A. de C.V.	513	-	35	(25)	523
Inbursa Siefore Básica 4, S.A. de C.V.	359	-	27	-	386
Inbursa Siefore Básica de Pensiones, S.A. de C.V.	64	-	4	-	68
Procesar, S.A. de C.V.	8	-	-	-	8
Sociedades de Inversión	(16)	-	13	157	154
Promotora Ideal	335	-	28	14	377
Autopista Arco Norte	4	-	12	-	16
Claro Shop.com	155	-	-	-	155
Guardiana LLC	63	-	(3)	-	60
Procesadora de pagos móviles	-	72	-	-	72
Others	12	-	39	(51)	-
	2,090	72	195	116	2,473
	$ 13,298	$ 64	$ 1,373	$ (3,299)	$ 11,436

21. Other assets, deferred charges and intangibles, net

As of December 31, were as follows:

	2018	2017
Software licenses	$ 946	$ 957
Anticipated payments	2,630	2,419
Goodwill	1,512	1,512
Guarantee deposits	657	601
Labor obligations fund	53	13
Unamortized discount on securities issued	294	336
Others	1,665	1,150
	7,757	6,988
Amortization of software licenses	(554)	(535)
Other accumulated amortization	(258)	(203)
	$ 6,945	$ 6,250

The amortization of software licenses during 2018 and 2017, was $15 and $15, respectively.

22. Deposits

a. ***Demand deposits*** --As of December 31, demand deposits were as follows:

	2018 Mexican pesos	2018 Translated foreign currency	2018 Total	2017 Mexican pesos	2017 Translated foreign currency	2017 Total
Interest bearing accounts	$ 118,613	$ 3,447	$ 122,060	$ 101,435	$ 3,357	$ 104,792
Non-interest bearing accounts	2,169	3	2,172	1,617	13	1,630
	$ 120,782	$ 3,450	$ 124,232	$ 103,052	$ 3,370	$ 106,422

For the years ended December 31, 2018 and 2017, the interest expense from demand deposits on checking accounts were $7,279 and $5,055, respectively (Note 35b).

b. Time deposits - Time deposits include fixed-term deposits, deposits from companies and foreign Banks and PRLV's. For those deposits in Mexican pesos, the interest rate relates to the interest rate of the CETES and the Mexican equilibrium interest rate (TIIE). For those deposits in foreign currency, the interest rate relates to Libor.

As of December 31, time deposits were as follows:

	2018	2017
Fixed-term deposits:		
US dollars (1)	$ 68	$ 197
UDI (2)	-	451
UDI (1)	12	588
Mexican peso (1)	1,229	542
Mexican peso (2)	-	6,579
Real (1)	14	40
	1,323	8,397
Promissory note with yield payable at maturity		
Placed on the counter (1)	12,048	11,460
Withdrawals deposits on pre-established days (1)	11,288	10,890
	$ 24,659	$ 30,747

(1) Placed within general public.

(2) Placed within money market.

As of December 31, 2018 and 2017, time deposits maturing over periods less than one year, were $24,106 and $23,071, respectively.

For the year ended December 31, 2018 and 2017, the interest expense from time deposits were $310 and $1,249, respectively (Note 35b).

In accordance with regulations, the Commission must be notified by financial institutions when deposits with one person or group of people legally considered as one person, represent more than 100% of the basic capital. As of December 31, 2018 and 2017, the Financial Group does not exceed this limit.

b. ***Debt securities*** **–** As of December 31, debt securities issued as marketable certificates, were as follows:

Issuance		Amount of certificates	2018 Balance	2018 Interest Rate	2017 Balance	2017 Interest Rate
Binbur 14-3	Program (1)	30,000,000	-	-	3,011	7.62%
Binbur 14-4	Program (1)	5,000,000	-	-	502	7.62%
Binbur 14-5	Program (2)	50,000,000	-	-	4,976	7.80%
Binbur 14-7	Program (3)	147,401,266	15,024	7.00%	15,011	7.00%
Binbur 15	Program (3)	52,000,000	-	%	5,210	7.80%
Binbur16	Program (3)	30,000,000	2,974	8.54%	2,971	7.63%
Binbur16-2	Program (3)	17,424,750	1,753	8.69%	1,752	7.74%
Binbur16-3	Program (3)	24,471,150	-	-	2,449	7.82%
Binbur16-4	Program (3)	5,528,850	554	8.81%	553	7.85%
Binbur16-5	Program (3)	30,021,846	-	-	1,602	7.81%
Binbur16-6	Program (3)	10,196,108	747	8.62%	721	7.88%
Binbur17	Program (3)	19,179,376	1,923	8.66%	1,923	7.90%
Binbur18	Program (3)	50,000,000	5,029	8.57	-	-
BINBL53	Program (3)	1,000,000	19,705	4.125%	19,717	4.125%
BINBM37	Program (3)	750,000	14,880	4.375%	14,889	4.375%
CF CREDIT 0015	Program (4)	49,999,996	-	-	4,609	7.68%
CF CREDIT 00117	Program (4)	50,000,000	-	-	5,027	7.53%
CF CREDIT 00217	Program (4)	50,000,000	-	-	5,017	7.38%
CF CREDIT 00317	Program (4)	31,000,000	-	-	3,116	7.53%
			$ 62,589		$ 93,056	

(1) On June 30, 2010, the Commission released the official notice 153/3618/2010, authorizing the Bank's issuance of securities under the "Program for unsecured bank bonds, deposit certificates, promissory notes with returns at maturity and bank bonds" subject to registration in the National Securities Registry. The authorized amount is $50,000 or its equivalent in UDI, without all the current issues amount exceed authorized.

As of December 31, 2018 this issue is settled. As of December 31, 2017, the issue represents 7% of the total amount authorized.

(2) On February 1, 2013, the Commission released the official notice 153/6117/2013, authorizing the Bank's issuance of securities under the "Program for unsecured bank bonds, deposits certificates, promissory notes with returns at maturity and bank bonds" subject to registration in the National Securities Registry. The authorized amount is $30,000 or its equivalent in UDI, without all the current issues amount exceed authorized.

As of December 31, 2018 this issue is settled. As of December 31, 2017 the total issued under this program represented 17% of the total authorized amount.

(3) On September 23, 2014, the Commission released the official notice 153/107353/2014 authorizing the Bank's issuance of securities under the "Program for unsecured bank bonds, deposits certificates, promissory notes with returns at maturity and bank bonds" subject to registration in the National Securities Registry. The authorized amount is not to exceed $100,000 or its equivalent in UDI.

As of December 31, 2018 and 2017, these issuances represent 28% and 34%, respectively, of the total authorized amount.

(4) (4) On June 30 2015 and September 30, 2015, the Commission released the official notices 153/5480/2015 and 153/5782/2015, authorizing the Bank's issuance of securities under the "Program for unsecured bank bonds, deposits certificates, promissory notes with returns at maturity and bank bonds" subject to registration in the National Securities Registry. The authorized amount is not to exceed $15,000 and $20,000 or its equivalent in UDI.

Each issuance of securities that is carried out through the program will have its own characteristics: the issuance price, the total balance of each issuance, its nominal value, the issuance and settlement date, the period, the maturity date, the interest rate and the periodicity of interest payments. All of these, will be determined by the issuer and its intermediary agent, and will be documented at the time of each issuance in the respective prospectus.

For the years ended December 31, 2018 and 2017, the interest expense from unsecured bank bonds were $4,754 and $6,447 (Note 35b), respectively

23. Bank and other loans

This includes loans received from other financial and governmental institutions, at market interest rates.

As of December 31, bank and other loans were as follows:

	2018			2017		
	Principal	Interest	Total	Principal	Interest	Total
Demand loans:						
Loans in Mexican pesos-						
Call money (1)	$ 3,162	$ 1	$ 3,163	$ 6	$ -	$ 6
Short-term:						
Loans in Mexican pesos-						
Central Bank´s auctions	-	-	-	750	3	753
NAFIN	191	2	193	272	2	274
	191	2	193	1,022	5	1,027
Loans in foreign currency-						
NAFIN	8	-	8	14	-	14
Total short term loans	199	2	201	1,036	5	1,041
Long-term:						
Loans in Mexican pesos-						
BANOBRAS	16,140	133	16,273	16,140	60	16,200
NAFIN	17,945	13	17,958	17,933	70	18,003
Sociedad Hipotecaria Federal	1,500	5	1,505	1,500	11	1,511
Total préstamos a largo plazo	35,585	151	35,736	35,573	141	35,714
	$ 38,946	$ 154	$ 39,100	$ 36,615	$ 146	$ 36,761

(1) (1) As of December 31, 2018 and 2017, the call money loans operations are integrated as follows:

	Amount 2018	Interest Rate	Deadline days
Multiple Banking	$ 3,163	8.12%	2

	Amount 2017	Interest Rate	Deadline days
Multiple Banking	$ 6	7.25%	4

As of December 31, 2018 and 2017, short-term loans in Mexican pesos accrue average interest rates of 9.15% and 5.56%, respectively. For the years ended December 31, 2018 and 2017, the long-term portion loans in Mexican pesos accrued average interest rates were 8.91% and 7.58%, respectively.

For the years ended December 2018 and 2017, the interest expense from bank loans were $3,060 and $2,006, respectively (Note 35b).

As of December 31, 2018 and 2017, no guarantees were granted in relation to loans payable.

24. Technical reserves

As of December 31, were as follows:

	2018	2017
Of risk in progress	$ 24,349	$ 39,803
Obligations to be fulfilled	12,067	13,594
Of contingency	682	1,103
Specialized insurance	7	297
From catastrophic risk	9,978	11,318
	$ 47,083	$ 66,115

25. Liabilities to reinsurance and surety, net

As of December 31, were as follows:

	2018	2017
Insurance companies	$ 702	$ 733
Surety companies	8	8
Retained premiums from ceded reinsurance and rebounding	2	2
Other businesses	76	76
	$ 788	$ 819

26. Income tax

The Financial Group is subject to ISR. In accordance with the ISR Law as of December 31, 2018 and 2017 the rate was 30% and will continue at the same percentage thereafter.

For the years ended December 31, 2018 and 2017, the "Current income taxes" of the consolidated statement of income is as follows:

	2018	2017
Banco Inbursa	$ 3,264	$ 3,411
Seguros Inbursa	1,483	789
Pensiones Inbursa	261	602
Inbursa Seguros de Caución y Fianzas	181	153
Casa de Bolsa	160	98
Operadora Inbursa de Fondos de Inversión	104	94
Other subsidiaries	23	20
	$ 5,476	$ 5,167

At the date of the issuance of these consolidated financial statements, the 2018 annual tax return of the Financial Group and its subsidiaries have not been submitted to the tax authorities, therefore the tax to be filed may be amended; however, management estimates this will not be relevant.

Reconciliation of accounting and fiscal results - For the years ended December 31, 2018 and 2017, the effective ISR rates were 24.4% and 23.9%, respectively. A reconciliation of legal and effective tax rate is detailed below:

	2018	2017
Profit before tax per income statement	$ 22,654	$ 26,324
Reconciling items-		
Annual adjustment for inflation	(4,844)	(5,601)
Non-deductible expenses	733	715
Difference in stocks taxable cost	(631)	(394)
Result in subsidiaries	(1,152)	(1,470)
Other permanent items	1,080	746
Income before income taxes, plus reconciling items	17,840	20,320
Income tax rate	30%	30%
Income tax	5,352	6,096
ISR from prior years	178	190
Total current and deferred tax according to the statement of income	$ 5,530	$ 6,286
Effective ISR rate	24.4%	23.9%

ISR is calculated considering as taxable or deductible certain inflation effects, such as depreciation which was calculated on Mexican pesos. The inflation effects of certain monetary assets and liabilities are accumulated and deducted through the annual inflation for adjustment.

27. Liabilities arising from cash collateral received

Guaranteed cash deposits from derivative contracts over the counter, especially with swaps, are required to comply with obligations from counterparties. As of December 31, 2018 and 2017, the credit balances were $4,180 and $2,125, respectively.

The balance of creditors for swaps of the margin accounts is $529 and $509 as of December 31, 2018 and 2017, respectively.

28. Sundry creditors and other payables

As of December 31, were as follows:

	2018	2017
Value added tax payable	$ 3,413	$ 3,353
Sundry creditors	2,366	1,279
Orders on behalf of clients	3	25
Guaranteed deposits	2	2
Money orders to pay	49	38
Cash checks	248	219
Provisions for other obligations	135	137
Certified checks	69	270
Contributions to the contingency fund	83	80
Current account agents	120	128
Unearned commissions	435	434
Provision for clearinghouse	210	186
Provision for memberships	5	6
Taxes withheld by third parties	114	101
Other	40	64
	$ 7,292	$ 6,322

29. Benefits to employees

In compliance with the accounting standard NIF D-3, the actuarial valuation was carried out which considers that the actuarial losses and / or gains are no longer amortized, that is to say, they are immediately recognized at the time they occur in the capital in the concept of "Other Comprehensive Income", as well as the recycling of the provision as derived from "Prior year results", both items reflect the difference between labor liabilities and the recognition already exercised in previous years based on the employees' labor life; the labor cost in net interest will be included in the consolidated income statement.

As of December 31, 2018 and 2017, the net periodic cost for obligations under pension plan and seniority premiums and termination benefits were $78 and $72, respectively.

The Financial Group has a pension plan with defined benefits covering all employees who reach 65 years of age, who have 20 years of service at least and who joined before 1 October 1998. The plan is to give the supplementary pension granted by the Mexican Social Security Institute, according to the years of service in the Financial Group. From the effective date of retirement, the participant under this plan, receive a retirement annuity whose amount is calculated at 2.5% for each year of service, calculated on the average earnings of the past 24 months for salaries, compensation for seniority and annual bonus.

This plan also covers seniority premiums, which consist of a single payment of 12 days for each year worked based on the final salary, limited to twice the minimum wage established by the Federal Labor Law (LFT). Also, the provision of employment termination benefits in accordance with the LFT and the terms of the benefit plan is included. The related liability and annual benefits costs are calculated by an independent actuary on the bases defined in the plans using the method of projected unit credit.

a. As of December 31, the main concepts of actuarial calculation were as follows:

	2018	2017
Defined benefit obligation (OBD)	$ 1,946	$ 1,830
Plan assets	1,999	1,843
Net projected asset	53	13
Charges to results in excess of contributions	104	57
Retained earnings (past service)	(60)	(29)
Actuarial gains and losses not recognized	(19)	(23)
Net projected assets	$ 78	$ 72

b. Additional information used in the actuarial calculations:

	2018 %	2017 %
Discount rate:		
Seniority premium	8.50	7.75
Legal compensation	9.50	7.50
Pension plan	9.50	7.50
Rate of wage increases	5.25	5.25
Rate of increase in the minimum wage	4.00	4.00

c. Net periodic cost are as follows:

	2018	2017
Service cost for the year	$ 69	$ 63
Financial cost	3	3
Recycling of remeasurement of PNBD or ANBD	6	3
Past service cost	-	3
Net periodic cost	$ 78	$ 72

As of December 31, the types of instruments and in which plan assets have invested and related amounts were:

	2018	2017
Variable income	$ 771	$ 302
Fixed income	492	853
Net valuation	721	670
	1,984	1,825
Interest receivable	2	2
Mortgage loans	13	15
	$ 1,999	$ 1,842

30. Deferred taxes, net

As of December 31, deferred taxes were as follows:

	2018	2017
Deferred tax liability:		
Valuation of shares	$ 479	$ 1,407
Valuation of financial instruments	1,839	2,706
Derivative financial instruments	1,422	923
Others	5,903	4,420
	$ 9,643	$ 9,456
Deferred tax asset:		
Tax on assets paid	$ 171	$ 156
Fiscal losses to be amortized	414	100
Commercial loans amortization	7	7
Valuation of financial instruments	30	288
Derivative financial instruments	(322)	360
Others	5,756	6,129
	6,056	7,040
Deferred tax asset, net	3,587	2,416
Deferred employee profit sharing liability	655	703
Total	$ 4,242	$ 3,119

Deferred tax expense or benefit reported in the consolidated income statements for the years ended December 31, 2018 and 2017, were $54 and $1,119, respectively.

To determine the deferred tax related to the allowance for loan losses, as of December 31, 2018, Banco Inbursa applies miscellaneous rule 3.23.1, which specifies that the loan portfolio losses that it has as of January 1, 2014, no matter if they are of a portfolio generated before or after said date, they will not be deductible until they reach an amount equivalent to the balance of the global preventive reserve held by Banco Inbursa as of December 31, 2013. As of December 31, 2018, the Bank still has a balance pending redemption of $26,010 (updated value), so that, in the future, only the portfolio losses can be deductible when said redemption balance has been consumed.

The tax rate of 30% was applied to temporary differences as of December 31, 2018 and 2017.

31. Commitments and contingencies

a. ***Liability agreement*** - In conformity with Article 28 of the Law Regulating Financial Groups, the Financial Group and its subsidiaries signed a liability agreement whereby the Financial Group accepts responsibility jointly and severally and without limitation for the performance of the obligations of its subsidiaries and for the losses derived from the performance of their own activities, even for those obligations incurred prior to the incorporation of the related subsidiaries into the Group.

The Financial Group shall similarly be liable for their monetary obligations due to third parties, bankruptcy declared by the regulatory authorities, and the deterioration of their financial position to the point that they are unable to meet legally specified capital requirements.

b. ***Leasing*** -The Financial Group has several leasing contracts from the bank branches facilities, parking lots and computer systems. Some of these contracts were celebrated by the affiliated companies and are not considered to be not material in relation to the consolidated financial statements taken as a whole. For the years ended December 31, 2018 and 2017, the leasing expenses were $91 and $84, respectively.

Considering the leasing contracts as of December 31, 2018 and 2017, the Financial Group expects to pay $2,281 and $2,101, respectively for leasing obligations over the next five years.

c. ***Credit commitments***

- **Letters of credit**

The Financial Group grants letters of credit to borrowers, which can generate a collection or delivery obligation at any time. Some of these operations are entered into with related parties. As of December 31, 2018 and 2017, letters of credit granted by the Financial Group amounted to $22,686 and $24,100, respectively.

- **Credit lines**

The Financial Group has granted lines of credits that have not yet been exercised. As of December 31, 2018 and 2017, the total amounts of credits granted by the Financial Group were $131,917 and $123,069, respectively. Of such amounts, $71,518 y $68,802, remained undrawn as of December 31, 2018 and 2017, respectively.

d. ***Review of tax reports*** - As of December 31, 2018, ads result of reviews by financial industry section of the Tax Administration Service (SAT) of the fiscal years 2007, 2009 and 2012, the Financial Group has presented on time all documentation required to the Administration of Major Taxpayers of the SAT. As of this date there is no evidence of the result of the disputed taxes. The Financial Group, based on the opinion of its legal counsel, believes that the final result of the tax reviews will be favorable.

At the date of issuance of these financial statements, SAT is reviewing tax filings on the fiscal opinion of Banco Walmart, S.A. for the year 2015.

e. ***Claims on contractual obligations***- Various lawsuits and claims have been filed against the Financial Group in the courts, and with the CNSF. At the present time, it is not possible to predict what the final outcome of these cases will be. In some cases, the Financial Group has provided for these potential losses through charges to reinsurers and its retained business, if applicable, and these provisions include accrued interest computed as required under the established rules.

f. *Labor*. - The Financial Group is party to a number of labor disputes filed against it with different local and Federal labor conciliation and arbitration boards. Such cases are currently in different stages and pending resolution or settlement.

g. *Lawsuits* - Over the normal course of business, the Financial Group and its subsidiaries have been involved in certain lawsuits which are not expected to significantly affect their financial position or future results of operations. As of December 31, 2018 and 2017, the Financial Group does not have provisions for contingencies, based on the opinion of its internal and external legal advisors.

32. Stockholders' equity

a. *Capital Stock* - As of December 31, 2018 and 2017, authorized capital stock consists of 6,667,027,948 Series "O" shares with a nominal value of $0.4137108 pesos each one.

As of December 31, 2018 and 2017, the historical value of stockholders' paid capital stock was $2,758. The book value as of December 31, 2018 and 2017 is $14,177 and $14,182, respectively, due to share repurchases as well as to the incorporation of the effects of inflation that were recognized up to December 31, 2007.

The additional share capital will be represented by series "L" shares which, in accordance with the Law to Regulating Financial Groups, may be issued up to 40% of the ordinary share capital, subject to prior authorization by the Commission.

Representative series "L" shares have limited voting rights, as their holders may only vote in matters involving a change in the Financial Group's corporate purpose, as well as mergers, spin-offs and the Financial Group's transformation, dissolution, liquidation, and cancellation of stock exchange registration. Such series "L" shares may also confer the right to a cumulative preferred dividend, and a higher dividend than the one paid to holders of shares representing ordinary capital stock. In no circumstances may the dividends paid on series "L" shares be less than those paid on the other series of shares.

In accordance with the LIC, the minimum stockholders' equity paid to credit institutions must be 90 million UDI. As of December 31, 2018 and 2017, the Financial Group was in compliance with this regulatory requirement.

	Number of shares		Amount	
	2018	2017	2018	2017
Fixed capital-				
Series "O" shares subscribed and paid	6,639,630,720	6,606,912,772	$ 2,747	$ 2,733
Series "O" shares in treasury	27,397,228	60,115,176	11	25
Total authorized	6,667,027,948	6,667,027,948	$ 2,758	$ 2,758

b. ***Capital transactions –***

A Stockholders' Ordinary General Meeting held on April 27, 2018 approved the result of the year as of December 31, 2017, and authorized its transfer to retained earnings, and also approved the payment of a dividend for the amount of $3,188.

c. ***Restrictions to stockholders' equity***

Beneficial ownership – At no time may foreign entities that hold shares may perform official functions in the Financial Group. This restriction is also applicable to Mexican financial entities, even those which belong to the Financial Group, unless acting as institutional investors per Article 19 of the Law.

Any individual or corporate person can acquire by one or several operations, Series "O" shares control, from a multiple purpose financial entity, in all cases with previous authorization from SHCP, and favorable opinion from the Commission.

Capital reserve - As of December 31, 2018 and 2017, capital reserves were $3,563 and $3,114, respectively, of which $2,382 and $1,933 corresponding to the reserve for repurchase of own shares and $1,181 in both years of legal reserve.

Reserve for repurchase own shares - The reserve for the repurchase of own shares, has its origin in the agreements of the Shareholders' Meeting, allocating part of the accumulated profits for its constitution. At the Ordinary General Shareholders' Meeting held on April 27, 2018, it was ratified that the maximum amount of resources that may be allocated to the acquisition of own shares is the amount of $2,000.

Legal reserve - In conformity with the Mexican Corporations Act, the Financial Group is required to appropriate at least 5% of the net income of each year to increase the legal reserve until it reaches 20% of the value of the Financial Group's capital stock. Such reserve may not be distributed to shareholders during the life of the Financial Group, except in the form of a stock dividend.

Capital reductions - In the event of a capital reduction, the reimbursement to shareholders in excess of the amount of the restated capital contributions, in accordance with the ISR Law, shall be subject to taxation at the enacted rate at the time of such reduction.

d. ***Availability of earnings***

ISR Law establishes that dividends derived from net income that has been subject to ISR will not be subject to additional ISR. In order to qualify for this exclusion, tax income must be controlled with the Tax Net Income Account (CUFIN). Distributions in excess of the balance of CUFIN will be subject to ISR.

In accordance with the ISR Law, the Financial Group must regulate in a separate account known as Capital Contribution Account (CUCA), all capital contributions and net premiums due to shares´ subscriptions and all capital reductions as well. This account must be updated according to Mexican annual inflation from the date in which the capital contribution was made until there is a capital reduction.

In accordance with the ISR Law, the amount of capital reduction is not subject to taxes, only if it does not exceed the CUCA balance; otherwise the difference must be considered as distributed income which is subject to tax payable by the Financial Group.

As of December 31, 2018 and 2017, tax equity balances were as follows:

	2018	2017
CUCA	$ 43,650	$ 41,639
CUFIN 2013	$ 4,340	$ 4,159
CUFIN 2014	$ 2,395	$ 2,286

33. Earnings per share and other comprehensive income

a. ***Earnings per share*** - The earnings per share for years ended December 31, were as follows:

	2018	2017
Net controlling interest income	$ 17,100	$ 19,985
Weighted average number of common shares outstanding	6,628,387,237	6,618,698,257
Earnings per share (Mexican pesos)	$ 2.5799	$ 3.0195

b. ***Other comprehensive income*** - For the years ended December 31, 2018 and 2017, other comprehensive income was as follows:

	2018	2017
Net income	$ 17,100	$ 19,985
Participation in other capital accounts of subsidiaries	682	(740)
Non-controlling interest	6	10
Other comprehensive income	$ 17,788	$ 19,255

34. Information by segments

For the years ended December 31, 2018 and 2017, the Financial Group's operations by business segment were as presented in the tables below. Balances presented below are classified differently from the presentation adopted for the consolidated financial statements as they were grouped according to operation and accounting records.

	2018	2017
a) Lending operations:		
Income-		
Interests from loans (Note 35a)	$ 29,270	$ 28,536
Exchange rate and UDI (Note 35a)	448	429
Commissions from opening of credit lines (Note 35a)	302	192
Commissions income (Note 36)	2,475	1,945
Other operating income	5,155	3,008
	37,650	34,110
Expenses		
Exchange rate and UDI (Note 35b)	140	73
Allowance for credit losses (Note 13d)	8,199	10,053
Interests from deposits (Note 35b)	17,010	16,163
Commissions expense	1,690	1,884
Other operating expenses	1,229	836
Valuation derivatives (primary hedge position) (Note 11)	(24)	(17)
Amortization from loan portfolio valuation (Note 11)	148	211
	28,392	29,203
Results from lending operations	$ 9,258	$ 4,907
b) Money market and capital market operations		
Income-		
Interest from investments (Note 35a)	$ 12,832	$ 11,350
Premiums from sale and repurchase agreements (Note 35a)	3,721	3,167
Commissions income (Note 36)	1,119	1,048
Results from securities operations (Note 37)	562	8,812
Results from investment in securities (Note 37)	(334)	4,606
Interest income and returns from margin accounts (Note 35a)	40	93
	17,940	29,076
Expenses		
Discount for debt placement	47	39
Premiums from sale and repurchase agreements (Note 35b)	2,792	3,213
Commissions expense	2,924	3,121
	5,763	6,373
Results from money market and capital market operations	$ 12,177	$ 22,703

	2018		2017	
c) Derivatives and foreign currency operations (Note 37)				
Results from foreign exchange transactions	$	107	$	(4,175)
Results from foreign currency exchange		(477)		919
Results from financing derivative operations		(230)		4,185
Results from valuation of financing derivative operations		2,213		(52)
	$	1,613	$	877
d) Reconciliation				
Loan portfolio transactions	$	9,258	$	4,907
Money market and capital market transactions		12,177		22,703
Derivatives and foreign currency transactions		1,613		877
Insurance, pensions and securities		6,232		3,516
Commissions from management of retirement accounts (Note 36)		1,137		1,083
Other commissions and fees		2,767		2,924
		33,184		36,010
Administrative and promotional expenses		11,434		11,059
Results of operations	$	21,750	$	24,951

The aforementioned segment information refers to credit, money market and capital market, and insurance and bonding transactions carried out mostly by the subsidiaries of the Financial Group.

35. Financial margin

For the years ended December 2018 and 2017, the main items comprising the financial margin were as follows:

a. ***Interest income***

	2018		2017	
Loan portfolio (1) (Note 34a):				
Commercial loans-				
Commercial or corporate activity	$	15,933	$	14,742
Loans to financial entities		577		760
Loans to government entities		1,144		1,760
Consumer loans		10,974		10,644
Housing loans		642		630
Commissions from opening of loan lines (Note 34a)		302		192
Premiums from repurchase agreements (Note 9b)		3,721		3,167
Investments securities (Note 34b)		11,602		10,236
Deposits in Central Bank (Note 34b)		723		619
Financing on national and foreign banks (Note 34b)		95		56
Amortization from loan portfolio valuation (Note 11)		(124)		(194)
Valuation of foreign currency and UDI (Note 34a)		448		429
Dividends from equity instruments, net (Note 34b)		412		439
From margin accounts		40		93
	$	46,489	$	43,573

(1) Interest from foreign exchange rate were as follows:

	2018	2017
Simple	$ 8,942	$ 12,191
Investment project	4,636	-
Unsecured loans	842	725
Subject to IVA	263	396
Restructured	891	1,312
Financing institutions	577	735
Other discounted loans	11	9
Government institutions	1,144	1,760
Discounted loans	324	121
Leasing	5	9
Housing loans	642	630
Pledged loans	19	4
Consumer loans	10,974	10,644
	$ 29,270	$ 28,536

b. ***Interest expense***

	2018			2017		
	Mexican pesos and UDI	Translated foreign currency	Total	Mexican pesos and UDI	Translated foreign currency	Total
Premiums from repurchase (Note 9)	$ 2,792	$ -	$ 2,792	$ 3,213	$ -	$ 3,213
Time deposits (Note 22b)	309	1	310	1,249	-	1,249
Promissory notes returns at maturity (Note 22b)	1,606	-	1,606	1,405	-	1,405
From banking loans and from other organisms (Note 23)	3,060	-	3,060	1,981	25	2,006
For demand deposits (Note 22a)	7,279	-	7,279	5,050	5	5,055
For debt securities (Note 22c)	3,225	1,529	4,754	5,181	1,266	6,447
Discounts debt issuance	5	42	47	3	36	39
Interest expenses of insurance and surety companies	1	-	1	1	-	1
Valuation of foreign currency and UDI	140	-	140	73	-	73
	$ 18,417	$ 1,572	$ 19,989	$ 18,156	$ 1,332	$ 19,488

c. ***Premium income, net***

	2018	2017
Premium issued (1)	$ 21,837	$ 22,845
Ceded premium	(4,858)	(4,470)
	$ 16,979	$ 18,375

(1) Below is the composition of the premiums broken down by operation and branch:

Branch	**Number of policies per operation and branch**	
Year:	**2018**	**2017**
Individual life	2,539,965	2,846,342
Life group	1,942	1,945
Total life operation	2,541,907	2,848,287
Personal accidents	2,909	2,402
Medical expenses	56,479	57,738
Total operation of accidents and diseases	59,388	60,140
Civil liability and professional risks	60,310	58,256
Maritime and transport	1,291	1,690
Fire	51,971	48,494
Cars	469,770	495,658
Catastrophic risks	28	26
Various	44,253	40,814
Total damage operation	627,623	644,938
Pensions derived from the Social Security Laws	393	20,168
Fidelity	244	287
Judicial	23,432	33,644
Administrative	15,137	17,215
Credit	16	20
Total bail bonds operation	38,829	51,166
Total consolidated	3,268,140	3,624,699

(1) Information without consolidation eliminations

d. ***Incremento neto de reservas técnicas***

	2018	**2017**
Reserve for unexpired risks	$ 297	$ 2,107
Catastrophic risk reserve	(1,455)	361
Others	(9)	(231)
	$ (1,167)	$ 2,237

Certificates / Incidents / Insured / Pensioners / Sureties		Premium issued	
2018	2017	2018	2017
2,564,875	2,871,120	$ 4,258	$ 5,304
3,764,052	3,645,419	1,477	1,473
6,328,927	6,516,539	5,735	6,777
1,504,007	1,643,043	72	71
2,615,316	2,985,590	3,815	3,542
4,119,323	4,628,633	3,887	3,613
4,290,786	4,131,625	1,080	1,070
1,063	1,124	1,108	970
1,096,008	1,521,378	2,855	2,698
2,000,941	2,151,959	4,105	4,580
990,856	1,484,303	21	27
4,399,107	4,504,255	1,144	1,174
12,778,761	13,794,644	10,313	10,519
545	27,415	9	16
244	287	1,893	1,845
23,432	33,644	2	2
15,137	17,215	124	142
16	20	1	2
38,829	51,166	2,020	1,991
23,266,385	25,018,397	$ 21,964	$ 22,916

Losses, claims and other contractual obligations, net

		2018		2017
Claims and contractual obligations	$	9,868	$	10,069
Net claims		1,571		1,578
Social security pensions		475		975
	$	11,914	$	12,622

36. Commission and fee income

For the years ended December 31, 2018 and 2017, the heading is comprised as follows:

		2018		2017
Retirement account management	$	1,137	$	1,083
From loan portfolio (1)		2,475		1,945
Intermediation in money market		527		577
Intermediation in the stock market		592		471
Reinsurance and re-guarantee		44		39
Others commissions		2,723		2,885
	$	7,498	$	7,000

(1) The loan portfolio commissions balance is comprised as follows:

		2018		2017
Commercial	$	519	$	294
Consumer		1,806		1,580
Letter of credit		150		71
	$	2,475	$	1,945

37. Gain/losses on financial assets and liabilities

As of December 31, the net gain on financial assets and liabilities were as follows:

		2018		2017
Other products and benefits from purchase-sale of securities				
From foreign exchange transactions	$	107	$	(4,175)
From transactions in securities		562		8,812
From transactions in financial derivatives		(230)		4,185
		439		8,822
Results from valuation at market				
From foreign exchange transactions		(477)		919
From transactions in securities		(334)		4,606
From transactions in financial derivatives		2,213		(52)
		1,402		5,473
	$	1,841	$	14,295

38. Memorandum accounts

As of December 31, 2018 and 2017, the main off-balance sheet accounts are shown below. These accounts represent rights and obligations of the Financial Group arising from transaction with third parties, and the recording unit values, mandates and custodies arising from own operations.

a. ***a. Transactions on behalf of third parties:***

i. Customer securities in custody

	2018	2017
Government debt	$ 73,552	$ 169,621
Bank debt	35,777	97,298
Other debt securities	155,890	104,708
Equity instruments, net	1,576,835	2,189,901
	$ 1,842,054	$ 2,561,528

b. ***Transactions on own behalf:***

i. Contingent assets and liabilities

As of December 31, the values of contingent assets and liabilities were as follows:

	2018	2017
Societal values given in custody		
Shares of variable capital	$ 10,110	$ 48,575
Marketable certificates	12,499	10,790
CETES	2,094	2,006
Promissory note with yield payable at maturity	187	83
	$ 24,890	$ 61,454

ii. Assets in trust or under mandate (unaudited)

As of December 31, the balances of operations in which the Financial Group acts as the fiduciary are as follows:

	2018	2017
Trusts funds		
Management	$ 309,682	$ 313,357
Investment	68,213	65,515
Guarantee	42	42
Transfer of title of property	95	95
	378,032	379,009
Mandates	1,111	1,194
	$ 379,143	$ 380,203

For the years ended on December 31, 2018 and 2017, income from activities performed in its capacity as trustee were $35 and $32, respectively.

c. ***Custody or management assets (unaudited)***

As of December 31, the balance was as follows:

	2018	2017
Custody assets (1)	$ 135,728	$ 177,286
Guarantee assets	194,344	220,837
Notes subject to collection	27,029	23,856
Others	1,799	1,799
	$ 358,900	$ 423,778

(1) As of December 31, the Financial Group has custody of ADR's, whose integration and fair value of the issuances is as follows (unaudited):

		2018		2017	
Issuer	**Series**	**Securities**	**Fair value**	**Securities**	**Fair value**
VOLAR	A	-	$ -	670,724,460	$ 10,550
AMX	L	6,730,197,808	94,021	6,994,176,185	118,551
AMX	A	142,448,226	2,051	151,422,966	2,555
GCARSO	A1	437,384	31	611,028	40
GFINBUR	O	2,879,265	81	2,781,880	89
GOMO	*	-	-	10,068,500	-
RASSINI	CPO	-	-	5,773	-
MFRISCOA-1	CPO	467,264	3	505,828	6
Total		6,876,429,947	$ 96,187	7,830,296,620	$ 131,791

39. Other operating income (expenses)

For the years ended December 31, were as follows:

	2018	2017
Recovery of loans previously written	$ 1,029	$ 455
Settlement of liabilities and reserves	773	49
Lease income	387	377
Impairments and write-offs	(337)	(448)
Income from administrative services	1,515	1,234
Rights products or policies	302	288
Loan portfolio acquisition	12	20
Others	245	197
Total	$ 3,926	$ 2,172

40. Operations with related parties

According with Criteria C-3 "Related parties" issued by the Commission, operations with related parties subject to disclosure are those that represent more than 1% of net capital prior month of the date of preparation of financial reporting. As of December 31, 2018 and 2017, the balance was $1,493 and $1,361, respectively.

Operations with related parties are done using market terms, according to existing conditions at the date of the operation.

a. **Contracts** - The most important contracts entered into with related parties are described below:

- Open-ended brokerage intermediation agreements with each Group company for the safekeeping of securities through which Inversora Bursátil renders intermediation services for the trading and the safekeeping and management of financial instruments.

- Stock distribution agreement entered into with Operadora Inbursa de Fondos de Inversión, whereby the Group promotes and sells shares in the related party's investment funds. This agreement is for an indefinite term.

- The Financial Group has entered into administrative trust agreements with its related parties.

- The Financial Group has loans granted to related parties

- The Financial Group issues letters of credit to related parties.

- The Financial Group has demand deposits and time deposits with related parties; however, the balances for these deposits do no exceed the limit established by the Commission.

- Permanent investments in stock as of December 31, 2018 and 2017 are described in detail in Note 20.

b. ***Operations*** - As of December 31, 2018 and 2017, principal operations celebrated with related parties were as follows:

Relation	Operation	2018	2017
Revenue:			
Affiliate	Interest income	$ 3,058	$ 1,220
Affiliate	Premiums collected from sale and repurchase operations	587	103
Affiliate	Commissions and fees income	105	246
Affiliate	Share distribution commission	285	277
Affiliate	Utilities from derivatives	320	441
Affiliate	Fiduciary transactions	35	25
		$ 4,390	$ 2,312
Expenses:			
Affiliate	Interest expense	$ 222	$ 227
Affiliate	Premiums paid from sale and repurchase agreements	138	307
Affiliate	Personnel service administration	2,822	2,647
Affiliate	Leasing	91	84
Affiliate	Commissions from public share offering	261	72
		$ 3,534	$ 3,337
Variations in equity:			
Stockholders	Repurchase of shares	338	856
Stockholders	Dividends paid	3,188	3,047

c. ***Benefits for key officials and relevant management*** - The Financial Group's management is performed by the CEO and top-level managers. The amount paid to such officers and directors in the year 2018 and 2017, corresponding to short-term benefits, amounted to $250 and $239 respectively. There are no stock payment benefits

d. ***Balances*** - Main accounts receivable and payable with related parties as of December 31, 2018 and 2017, were as follows:

Relation	Operation	2018	2017
Affiliate and associate	Derivative financial instruments (1)	$ (222)	$ (1,336)
Affiliate	Loan portfolio	14,883	19,855
Affiliate	Repurchase agreements	14,803	253
Affiliate	Deposits	1.942	6,810
Affiliate	Time deposits	252	66
Affiliate	Loan commitments (letters of credits)	1,344	874
Affiliate	Custody and management securities	2,053,404	2,694,288
		$ 2,086,406	$ 2,720,810

(1) As of December 31, 2018 and 2017, the Financial Group has forward and swaps contracts with related parties. Regarding forward contracts with related parties as of December 31, 2018 and 2017, Banco Inbursa has 3 and 9 respectively, with a notional value of $8,122 and $36,284 respectively; regarding swap contracts with related parties as of December 31, 2018 and 2017, the Financial Group has 111 and 71, respectively, with a nominal value of $29,226 and $59,678, respectively.

41. Risk management (unaudited information)

To prevent the risks to which the Financial Group is exposed as a result of its transactions, management has prepared policies and procedures manuals that adhere to the guidelines established by the Commission and Central Bank.

The Accounting Criteria issued by the Commission establish the obligation whereby credit institutions must disclose, through notes to their consolidated financial statements, information on the policies, procedures, methodologies and other measures adopted for risk management purposes, together with data regarding the potential losses they face by risk type in the different markets in which they participate.

The Provisions issued by the Commission establish that the Internal Audit area conduct at least once a year or the end of each fiscal year a comprehensive risk management audit. The results obtained were presented to the Board of Directors at the meeting held on January 28, 2019.

1) ***Environment*** - Through comprehensive risk management, the Financial Group promotes the corporate governance structure used to support the Comprehensive Risk Management Unit (UAIR) and the Risks Committee. Similarly, through these entities, the Financial Group identifies, measures, controls and monitors its quantifiable and unquantifiable operating risks.

The Risk Committee analyzes the information systematically provided by operating areas.

It also has a contingency plan focused on mitigating the weaknesses detected at the operating, legal and recording levels as a result of performing transactions that exceed the maximum risk tolerances approved by the Risks Committee.

2) ***Market risk* -**

Market Risk is defined as the potential loss due to changes in the risk factors that affect the valuation or the expected results of the active, passive or contingent liability operations, such as interest rate, exchange rates, indices of prices among others.

Market Risk Management consists of identifying, measuring, monitoring, limiting, controlling, reporting and disclosing the different risks to which the Financial Group is exposed by existing movements in the market.

The Market Risk objectives are:

1. Comply with the Desired Risk profile subscribed by the Board of Directors.
2. Report timely and in due form to the General Directorate.
3. Maintain an adequate monitoring of Market Risk.
4. Quantify through the model authorized by the Risk Committee the Exposure to Market Risk.
5. Quantify the vulnerability of the Financial Group in extreme market conditions and consider results for decision making according to the nature and complexity of the operations.

The Market Risk policies are:

1) The Risk Committee is the body empowered to approve specific limits to the Market Risk.
2) The Risk Committee is the body empowered to approve models, methodologies and procedures to measure, monitor, monitor, limit, control market risk.
3) New products subject to market risk should be evaluated and approved through the guidelines of new products approved by the Risk Committee.
4) Compare once a month the estimates of market risk exposure against the results actually observed for the same measurement period and, if necessary, carry out the necessary corrections by modifying the model when they show deviations.
5) Evaluate at least once a year that the market and systems risk model remains adequate.

To make the measurement and evaluation of the risks taken in its financial operations, the Financial Group has computational tools to calculate the value at risk (VaR), performs retrospective analysis referring to the backtesting, in addition to carrying out sensitivity analyzes and stress tests under extreme conditions.

To verify statistically that the market risk measurement model yields reliable results, the Financial Group performs a hypothesis test on the level of confidence, with which this measurement is made. The hypothesis test consists of a Chi-Square test (Kupiec test) on the proportion of the number of times the loss actually observed exceeds the estimated risk level.

The exposure to market risk of financial instruments is quantified through the Historical VaR methodology with a time horizon of 1 day with a 95% confidence level and 252 observations.

Currently, market risk is calculated for money market portfolios, international bonds, equities and derivatives.

The value at risk at the end of 2018, was as follow:

Type of Risk	Market Value	Historical Var (1)	%VAR (M) vs Basic capital
Options	$ (433)	$ 5	0.01%
Variable income	7,875	50	0.06%
Rate swaps	1,821	21	0.02%
Currency swaps	(2,164)	32	0.04%
Listed swaps	1,138	0	0.00%
Nominal rate	12,761	34	0.04%
Real rate	12,871	17	0.02%
Futures	(88)	0	0.00%
Forwards	(1,001)	43	0.05%
Foreign exchange	17,926	32	0.04%
Total Bank	$ 50,706	104	0.12%
Basic capital (2)	$ 84,256		

(1) Value at Historical Risk at one day, with 95% confidence

(2) Basic Capital as of September 30, 2018

The sensitivity analysis - Given that the risk measure (VaR) shows the potential losses under normal market conditions, the sensitivity analysis complements the risk analysis under extreme conditions in order to measure the impact on the Financial Group positions given important movements in the factors risky.

Type of Risk	Market Value	Market Value 100BP	Market Value 500BP
Options	$ (433)	$ (422)	(439)
Variable income	7,875	7,954	8,269
Listed swaps	1,138	1,143	1,167
Rate swaps and currencies	(342)	(354)	(399)
Nominal real	12,761	12,527	11,486
Real rate	12,871	11,299	11,699
Futures	(88)	(89)	(93)
Forwards	(1,001)	(35)	(281)
Foreign exchange	17,926	17,424	18,278
Total Bank	$ 50,706	$ 49,447	$ 49,687
Basic capital	$ 84,256		

(1) Using a sensitivity scenario of 100 basis points (bps) and 500 bps, the shortfalls that would be recognized if the derivative instrument positions in effect at December 31, 2018, would be of $1,258 and $1,019, respectively.

The VaR or Value at Risk estimates the maximum loss that could be recorded by the exchange market, fixed rate, derivatives and variable income portfolios.

A monthly summary of market risk exposures is presented below:

Date	VaR
01/30/2018	$ 90
02/27/2018	155
03/30/2018	100
04/30/2018	94
05/29/2018	93

Date	VaR
06/30/2018	313
07/31|/2018	100
08/31/2018	59
09/30/2018	161
10/30/2018	117
11/30/2018	113
12/31/2018	104
VaR average	$ 125

The Financial Group's most significant risk position is its derivatives position, which is composed by futures and forward currency, action forward, options and swaps in Mexican pesos and US dollars. The presented information includes the market value of these positions, the generated surplus value/shortfall and the daily Value at Risk with a 95% reliance level.

The model assumes the normality of the distribution of risk factor variations; back testing is utilized to validate this assumption.

Market risk management is supplemented with stress tests based on two sensitivity scenarios of 100bps and 500bps, respectively, together with the replication of historical catastrophic conditions with up to four standard deviations, as Credit Crunch 2008, September 11, 2001, Crisis Russia 1998, Crisis Asia 1997, Crisis Mexico 1994, which simulate the manner in which adverse movements will have an accumulated effect on the portfolio at the calculation date. The new stressed risk factor conditions are used to value portfolios and determine their Value at Risk and new mark-to-market.

Under the new conditions stressed of the risk factors the portfolio valuation is made, as well as its risk value and its new brand to market.

Sensitive analysis of hedge swaps

Type of risk	Market value	Market value 100BP	Market value 500BP
SWAPS IRS	$ 1,795	$ 1,799	$ 1,813
SWAPS CCS	(6,886)	(6,951)	(7,217)
SWAPS listed	244	245	250
Total Bank	$ (4,847)	$ (4,907)	$ (5,154)

(2) With a sensitivity scenario of 100 basis points (bps) and 500 bps, the losses that would be recognized in the event of materialization by the hedging swap positions in effect as of December 31, 2018, would be $61 and $306, respectively.

3) ***Concentration risk*** - - Potential loss attributed to the high and disproportionate exposure to particular risk factors within the same category or between different risk categories. The objective is to maintain adequate levels of concentration of the portfolio of financial instruments within the following limits of risk VaR.

The concentration in risk factors in the portfolio of financial instruments is as follows:

Portfolio	Historic Limit VaR
Nominal Rate	10%
Real Rate	10%
Currency and Synthetics	15%
Variable Income	10%
Swaps	20%
Options	10%

The observed VaR by the risk factor at the end of December 2018 is:

Portfolio	Montecarlo Limit VaR
Nominal Rate	0.04%
Real Rate	0.02%
Currency and Synthetics	0.05%
Variable Income	0.06%
Swaps	0.02%
Options	0.01%

4) *Liquidity risk*

It is defined as the inability to meet present and future cash flow needs affecting the daily operation or the financial conditions of the Financial Group; The potential loss due to the impossibility or difficulty of renewing liabilities or contracting others under normal conditions for the Financial Group, due to the anticipated or forced sale of assets at unusual discounts to meet their obligations or, due to the fact that a position does not it may be opportunely alienated, acquired or hedged through the establishment of an equivalent counter position, the potential loss due to the change in the structure of the Financial Group's balance sheet due to the difference in terms between assets and liabilities.

Coefficient of Liquidity Coverage (CCL)

In order to have a strong and adequate liquidity management, the Financial Group calculates the Liquidity Coverage Ratio, a short-term metric with the purpose to guarantee that the Financial Group maintains a sufficient level of high-quality liquid assets and free of charge, that could be transformed into cash to satisfy liquidity needs in a 30-day horizon.

		Unweighted amount (Average)	Weighted Amount (Average)
Computable liquid assets			
1	Total of Computable Liquid Assets	Does not apply	54,766
Cash outputs			
2	Non-guaranteed retail financing	107,117	7,792
3	Stable financing	58,392	2,920
4	Less stable financing	48,725	4,872
5	Non-guaranteed wholesale financing	23,116	11,120
6	Operational deposits	-	-
7	Non-operational deposits	22,438	10,442
8	Unsecured debt	678	678
9	Guaranteed wholesale financing	Does not apply	61
10	Additional requirements	79,143	8,277
11	Outputs related to derivative financial instruments and other guarantee requirements	3,312	3,184
12	Outflows related to financing losses of debt instruments	-	-
13	Lines of credit and liquidity	75,831	5,093
14	Other contractual financing obligations	2,903	46

		Unweighted amount (Average)	Weighted Amount (Average)
15	Other contingent financing obligations	323	323
16	**Total cash outputs**	Does not apply	27,619
Cash entries			
17	Cash entries for guaranteed transactions	17,127	-
18	Cash entries from unsecured operations	33,413	15,667
19	Other cash entries	575	575
20	**Total cash entries**	51,115	16,242
21	Total computable liquid assets	No aplica	54,766
22	Total net of cash outflows	No aplica	11,700
23	Coefficient of liquidity coverage	No aplica	514.60%

(a) The main causes of the results of the Liquidity Coverage Ratio and the evolution of its main components

During the last quarter of 2018 the CCL has remained above the minimum requirement of the Accounting Criteria regarding the Liquidity Requirements for Credit Institutions of 90%, due to the fact that the Bank has a liquid assets position. 1, 2A and 2B sufficient to cover the 30-day liquidity needs.

(b) Changes of the main components within the quarter that is reported

Components	3rd. Quarter 2018	4th. Quarter 2018	Variation	%
Liquid assets	60,240	54,766	(5,474)	-9.1%
Cash inflows	12,192	16,242	4,050	33.2%
Cash outflows	32,081	27,619	(4,462)	-13.9%

(c) Evolution of the composition of assets Liquids Eligible and Computable

The liquidity model considers the liquidity quality of portfolio assets, as well as the collateral exposure of assets and liabilities and their condition during the period.

Assets level	3rd. Quarter 2018	4th. Quarter 2018	Variation	%
Total	60,240	54,766	(5,474)	-9%
Level I	56,689	50,780	(5,909)	-10%
Level II-A	2,519	3,665	1,146	45%
Level II-B	1,032	321	(711)	-69%

Activos líquidos

Assets level	Oct. 2018	Nov. 2018	Dec. 2018
Total	55,109	51,386	57,978
Level I	50,674	47,564	54,262
Level II-A	4,021	3,521	3,466
Level II-B	415	301	250

Concentration of funding sources

Deposits and issuance of debt securities are the main sources of financing.

Currency mismatch

Additionally, the liquidity risk in foreign currency is monitored in accordance with Central Bank's foreign currency investment and acceptance regime, which represents the Bank's capacity to meet its short-term liquidity needs (1 to 60 days).

	2018		
	Coefficient amount		Coefficient
January	$	1,327	3.53%
February		860	1.82%
March		225	0.95%
April		540	2.76%
May		4,331	14.98%
June		2,416	8.27%
July		1,378	3.77%
August		2,745	5.53%
September		1,201	6.49%
October		150	0.66%
November		1,074	5.75%
December		427	2.78%
Average	$	1,283	4.74%

For the determination of the liquidity ratio, the Financial Group considers the liquid assets in foreign currency in accordance with the provisions of Circular 3/2012 issued by Central Bank in order to cover its liabilities in foreign currency in the maturity dates of the operations.

Degree of centralization of liquidity management and interaction between Bank's units;

Operationally, there are specialized areas that are responsible for monitoring possible mismatches between active and passive operations, timely informing the operating areas (Treasuries) for the proper management of this risk.

The Financial Group has a Back Office area that is responsible for supervising cash requirements, liquidations, custody and any operation related to the Treasury. The Treasury participates in managing national and international balance risk, including contingent accounts and irrevocable credits.

I. Quantitative information:

(a) The limits of concentration with respect to the different groups of guarantees received and the main sources of financing

The Financial Group can receive bank guarantees, rights derived from bank deposit instruments or other guarantees.

The Financial Group follows a process of administration of all its operations with real guarantees, the responsible areas keep a record of all the guarantees of entry and exit. These guarantees are valued daily in order to know and anticipate possible losses due to a decrease in their value due to changes in the market positions, ratings or the Financial Group's financial position. If any guarantee received loses value or increases the possibility of not being able to execute it, the counterparty will be asked to cover the loss of the guarantee or replace it with another of equal or greater value.

(b) Exposure to Liquidity risk and financing needs at the Bank level

Within the process for managing liquidity risk, the legal and operational restrictions that may exist to transfer and receive resources, including the passive and investment admission regimes for foreign currency passive operations of Central Bank, are considered. Regulatory reports are considered (ACLME Investment Regime, Liquidity Coverage Coefficient CCL).

(c) Balance sheet operations broken down by maturity dates and the resulting liquidity gaps, including transactions recorded in memorandum accounts.

With respect to liquidity risk, derivative financial instruments are presented below, an analysis of the assets and liabilities maturities of the liquidity gaps, which shows the remaining contractual maturities.

The risk system uses the traditional asset and liability management model, which consists in characterizing the active and passive components of each instrument in the portfolio for the different maturity windows. For example, a long position in foreign currency forwards will contain in the analysis in US dollars the active component in dollars to be received at the Spot exchange rate plus the interest generated by the cost of carrying the passive rate in dollars and in the analysis of national currency the interest of the portion of the cost of carrying the active position in weights, that is, liquidity risk analysis can be constructed for different windows and time horizons classified by market type and by currency.

The liquidity model considers the quality of liquidity of the portfolio assets, as well as, the mismatch between assets and liabilities and their condition in the term.

Category	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Greater than 360 days
Assets	151,305	22,105	50,426	16,603	14,659	20,077	291,212
Liabilities	169,125	39,483	33,657	16,051	7,338	5,520	184,306
Gap	(17,820)	(17,377)	16,769	552	7,321	14,557	106,906
Cum.Gap	(17,820)	(35,198)	(18,429)	(17,878)	(10,557)	4,000	110,906

II. Qualitative information:

The Liquidity Risk objectives are:

- Comply with the Desired Risk Profile defined by the Board of Directors.
- Promote and strengthen an adequate supervision of liquidity risk.
- Quantify liquidity risk through various methodologies.
- Contribute to reduce the risk of financing.
- Promote and strengthen adequate supervision of the Foreign Exchange Position, Pass-Through Admission Regime and Liquid Asset Requirement to offset foreign currency liabilities.
- Maintain an inventory of liquid assets susceptible to be delivered as collateral.
- Determine the extraordinary liquidity requirements in different stress scenarios.
- Report in a timely manner the liquidity risk exposure to the business units, address generates risk committee, board of directors and audit.

The manner in which the liquidity risk is managed in the Financial Group, considering for this purpose the tolerance to said risk; the structure and responsibilities for the management of liquidity risk; internal liquidity reports; the liquidity risk strategy and the policies and practices through the business lines and with the board of directors.

By policy and given current market conditions, the treasury covers short-term liquidity needs. The Financial Group is seeking to provide stability to deposits in the medium and long-terms, with issuances.

The UAIR, for the fulfillment of its purpose, will verify the observance of the Desired Risk Profile and the Risk Exposure Limits, as well as the Risk Tolerance Levels acceptable by type of quantifiable risk considering the Consolidated Risk, broken down by Business Unit or Risk Factor, cause or origin of these, using, for this purpose, models, parameters, scenarios, assumptions, including those referring to stress tests and indicators on liquidity risk, to which the Section VIII of Article 81 of the Provisions, for the measurement and control of risk approved by said committee.

The Liquidity Risk reports presented to the Risk Committee, Business Areas, the General Manager and the Board of Directors have the purpose of monitoring, measuring, monitoring and controlling the liquidity risks of the main business units. These are the following:

Position Limit Reports, Total Requirement of Liquid Assets in foreign currency (Liquidity Coefficient in foreign currency), Calculation of liquidity Coverage coefficient, Assets that can be delivered as guarantee, Liquidity Risk Report in MXP (ALM), Diversification Report of the sources of Financing, Advance Sale of Assets and Renewal of Liabilities.

(a) The techniques for mitigating liquidity risk used by the Bank

The Bank has different indicators that provide useful information to anticipate situations in which liquidity risk increases, these indicators allow detecting the variables that triggered an increase in the liquidity requirement. Which are the following:

- Total Requirement of Liquid Assets in foreign currency (Liquidity Coefficient in foreign currency).
- Advance or forced sale of assets at unusual discounts.
- Potential loss due to the impossibility of renewing liabilities.
- Evaluation of the diversification of funding sources.
- ALM.
- Coefficient of Liquidity Coverage.
- Net Stable Funding Ratio.
- Actives' inventory

(b) Explanation of how stress tests are used;

Stress tests are a management tool for Banco Inbursa designed to warn the various social bodies and the Bank's decision-making personnel about possible adverse impacts on liquidity, considering the inherent risks to the operation, as well as the risks generated by factors exogenous to Banco Inbursa.

Consequently, these tests allow to Banco Inbursa to periodically calibrate both its risk measurement models, as well as the Risk Exposure Limits and the Risk Tolerance Levels established, and so that it can carry out its activity under favorable conditions, in accordance with the risks to which to Banco Inbursa is exposed.

These tests will not only serve in the processes of the Integral Risk Management, but will also be a support tool in the business planning processes, as well as in the definition of the Desired Risk Profile.

(c) Description of contingent financing plans

In order to ensure that the Banco Inbursa maintains its liquidity in times of financial volatility, in case of unexpected liquidity requirements or when there are problems to liquidate assets, a Contingency Financing Plan (PFC) is established, where the set of strategies is documented, Policies and procedures that will be carried out to achieve the objective.

The PFC includes those responsible, the events that will trigger the plan, the actions to correct the liquidity, as well as the internal and external communication plan that Inbursa will implement.

(d) Description of the Contingency Plan.

In order to comply with the provisions of Article 119 of the LIC and with the provisions of Article 172 Bis 37 of the Provisions, Banco Inbursa has developed the Contingency Plan (PC), which details the actions specific measures that will be carried out by the institution to restore its financial situation to adverse scenarios that could affect its liquidity or solvency.

The PC is integrated as follows:

- Governing bodies. Participation of administrative units and Bank officials in the development, execution and monitoring of PC implementation, description of the policies and procedures for approval of the Plan, the way in which the PC is integrated into the integral management of Risks, internal and external communication in case of activation of the plan.

- Description of the Bank. General description of the Bank and its business strategies that identify and explain its business lines, essential functions, as well as the relationship between Inbursa and its financial subsidiaries.

- Quantitative and qualitative indicators of Solvency and Liquidity. Definition of quantitative and qualitative indicators to monitor the solvency and liquidity situation of the Bank.

- Recovery Actions. It includes a list of the applicable recovery actions to maintain the Bank's financial viability

Credit risk

The Credit Risk is defined as the potential loss due to the non-payment of an accredited or counterparty in the operations carried out by the Financial Group, including the real or personal guarantees granted to them.

The objectives of Credit Risk are:

1) Comply with the profile of Desired Risk subscribed by the Board of Directors.
2) Report timely and in due form to the General Directoratel.
3) Carry out Credit Risk measurements with models and methodologies authorized by the Risk Committee.
4) Know the quality of the portfolio and take timely measures that reduce potential losses due to credit risk.

The Credit Risk policies are:

1) The Credit Committee is the body empowered to approve specific limits for derivative transactions with counterparts.

2) The Risk Committee is the body empowered to approve models, methodologies and procedures to measure, monitor, monitor, limit, control credit risk.

3) Evaluate at least once a year that the credit and systems risk model remains adequate.

The Financial Group analyzes credit risk models based on the estimation of the probability of default of each borrower. In addition, in order to manage the risk, the Financial Group considers a number of quantifiable economic factors and variables, as well as qualitative factors that cannot be quantified, and the overall effect of these factors on total portfolio exposure.

In the case of borrowers, the expected loss is calculated using the regulatory model, whose components include the probability of default, severity of loss and exposure to default. The unexpected loss (PNE) is calculated using the Monte Carlo methodology by means of simulations and stress is tested by considering different percentiles of the simulated distribution of losses.

The value at risk and its classification as of December 31, 2018 are as follows:

	Balance	Reserve: Expected loss	VaR (95%)	PNE
Housing	$ 6,371	$ 375	$ 383	$ 8
Consumer	2,105	213	218	5
Commercial	227,315	3,116	8,798	5,561
Total	$ 235,791	$ 3,704	$ 9,399	$ 5,574

Currency	Performing loan portfolio	Non-performing loan portfolio	Expected loss (PE)	Number of times of PE to non-performing loans	% of PE to Performing loan portfolio
Mexican pesos	$ 165,986	$ 5,704	$ 8,344	146.3	5.0%
UDI	3,632	-	18	38,066.1	0.5%
US dollars	74,600	250	1,255	501.6	1.7%

The average value of the risk credit exposure is as follow:

Expected impairment as of	Total
31/01/2018	$ 4,984
28/02/2018	4,572
31/03/2018	4,480
30/04/201|8	4,457
31/05/2018	3,348
30/06/2018	3,469
31/07/2018	3,338
31/08/2018	3,454
30/09/2018	3,444
31/10/2018	3,603
30/11/2018	3,702
31/12/2018	3,705
Average	$ 3,880

Details of the performing portfolio are presented below:

Concept		Importe
Non-revolving consumer	$	29,767
Revolving consumer		16,211
Corporative		149,956
Financial entities		8,800
Mortgage to housing		-
MyPyMes		5,519
MiPyMes		33,964
	$	244,218

Potential Credit Risk to Maturity, as of December 31, 2018 are as follow:

Type of risk		Market Value		Potential Credit Risk to maturity	% Potential Credit Risk vs Basic CAP
Options	$	(433)	$	-	0.00%
Variable income		7,875		-	0.00%
Listed swaps		1,138		300	0.36%
Rate swaps and currencies		(342)		10	0.01%
Nominal real		12,761		-	00.0%
Real rate		12,871		18	0.02%
Futures		(88)		38	0.05%
Forwards		(1,001)		-	0.00%
Foreign exchange		17,926		2	0.00%
Total Bank	$	50,706	$	369	0.44%
Basic capital	$	84,256			

Furthermore, the Credit Analysis Area performs quarterly portfolio quality follow-up by rating borrowers; it also prepares a daily sectorial analysis of Mexico's main economic sectors. Aside from this quarterly credit follow-up, credit risk concentrations are determined by borrower, group and economic activity.

When executing transactions involving futures and forwards contracts, the Financial Group acts in its own name with financial intermediaries and participants authorized by Central Bank, as well as with other participants, which must guarantee the obligations detailed in the contracts executed with the involved parties.

- ***Credit management***

  The credit management evaluation and analysis activities performed by the Financial Group for credit granting, portfolio control and recovery purposes are described below:

- ***Credit analysis***

  Credit control and analysis begin when information is received and continue until the credit is fully paid; during this period, this information passes through the filters applied by the Financial Group's different areas.

  In the case commercial credits, a detailed analysis is performed of the company's financial situation and qualitative aspects; the Financial Group also reviews the borrower's background and consults a credit bureau.

As regards consumer and housing credits and certain products granted to small and medium enterprises (SMEs), the Financial Group performs parametric analyses and verifies the credit background of each borrower by consulting a credit bureau.

Credit follow-up and evaluation is performed monthly by issuing regulatory reports to ensure fulfillment of the requirements established by the Financial Group's regulatory authorities. Likewise, it prepares monthly internal reports and updates.

The Financial Group has developed specific credit granting policies according to the requested product or credit type. As regards commercial credits: i) the empowered entities (Credit Committee) determine basic credit conditions involving amounts, guarantees, periods, rates and commissions, among others; ii) the credit operation area ensures the proper documentation of approved credits; iii) credits cannot be utilized without the approval of the credit operation.

With regard to the evaluations performed before granting consumer credits, the Credit Committee authorizes the retail credit analysis area to approve or reject credits requested for up to the amount of ten million Mexican pesos, albeit with specific limits regarding amounts, periods, rates, and guarantees, among others. In this regard, the retail credit analysis area is responsible for the authorization, instrumentation, custody and provision of documentation follow-up for this type of credit.

The Financial Group has established different credit recovery procedures, which includes credit restructuring negotiations and legal collection procedures.

- ***Risk concentration determination***

  The policies and procedures used by the Financial Group to determine the credit portfolio risk concentrations are summarized below:

  - Financial Group requires that borrowers with authorized credit lines equal to or exceeding the amount of thirty million UDI provide the information detailed in instruction guidelines to determine joint risks. This data is included in a customer association process to determine and update credit portfolio risks.

  - Before credit lines are authorized, the credit analysis area verifies that not exceed the maximum quarterly financing levels established by the Financial Group or those determined by the regulatory authorities.

  - If a credit transactions exceed the limits established by the Financial Group for reasons other than credit granting, the involved areas are notified of the implementation of the required corrective measures.

  - The credit analysis area is responsible to notifying the Commission whenever joint risk limits are exceeded.

- ***Distressed portfolio identification***

  The Financial Group monthly analyzes the economic environment in which its borrowers operate so as to timely identify any indications of a distressed portfolio.

  The Financial Group has the policy of identifying and classifying commercial credits in which, based on current information and facts and the credit review process, the principal and interest established according to the originally agreed terms and conditions are unlikely to be fully recovered. Both performing and non-performing portfolios may be identified as distressed portfolios.

4) ***Risk policies applied to derivative products*** - When performing transactions with derivative financial instruments, the Financial Group's objectives include the following: i) ensuring active short and medium-term participation in these markets; ii) providing derivative market products to fulfill its customers' requirements; iii) identifying and taking advantage of derivative product market conjunctures; and iv) hedging against the risks derived from any unusual underlying variations (currencies, rates, shares, etc.) to which it is exposed.

In general terms, the risk assumed by the Financial Group when performing currency derivative transactions involves the Mexican peso rate because US dollar futures are placed as a credit portfolio or other assets. These transactions involve a counterparty risk.

The Financial Group's policies establish that risk positions in securities and derivative financial instruments cannot be taken by a broker. The decision to assume risks is exclusively made by senior management through its collegiate entities. The Risks Committee determined that the Financial Group's positions must be adjusted in the following manner:

	Maturity less than a year (*)	Maturity more than a year (*)
Nominal rate	2.5	2
Real rate	2.5	2
International bonds	2.5	2
Derivatives	4	2.5

(*) Multiplied by the basic capital of the third quarter calculated by Central Bank.

- **Documentation of hedge files**

  In the case of derivative financial instruments held for hedging purposes, the Financial Group's management documents hedge file so as to demonstrate their efficiency according to the considerations detailed in the accounting criteria issued by the Commission. Hedges file are designated when a transaction involving a derivative financial instrument is contracted or at a later date, provided the instrument can be classified as such and the formal documentation conditions established by accounting standards are fulfilled.

  The documentation prepared by the Financial Group regarding hedge ratios includes the following aspects:

  1) The risk management strategy and objective, as well as the rationale used to perform the transaction.

  2) The specific risk or risks to be hedged.

  3) The identification of the primary position covered by the hedge and the derivative financial instrument utilized for this purpose.

  4) The manner in which hedge effectiveness is initially evaluated (prospectively) and subsequently measured (retrospectively) by applying exposure to the fair value changes of the primary position attributed to hedged risks.

5) The treatment of the total gain or loss generated by the hedge instrument when determining its effectiveness.

The effectiveness of financial derivative instruments used for hedging purposes is evaluated monthly. If management determines that a derivative financial instrument is not highly effective as a hedge, the Financial Group prospectively ceases to apply the hedge accounting scheme to it.

- ***Obligations with counterparties***

Derivative financial transactions performed outside recognized markets are documented through an outline agreement that establishes the following obligations for the Financial Group and its counterparties::

- Deliver the accounting and legal information agreed by the parties in the transaction supplement or confirmation.

- Deliver any document agreed in the transaction supplement or confirmation to the other party.

- Comply with applicable laws, regulations and provisions.

- Ensure the validity of any internal, governmental or any other kind of authorization needed to comply with the obligations assumed under the terms of the executed contract; and

- Immediately notify the other party in writing when obtaining knowledge of any situation implying the early termination of the outline agreement.

- ***Regulatory standards***

According to the regulatory standards issued by Central Bank with regard to derivative financial instruments, the Financial Group must comply with Circular 4/2012. Aside from establishing rules for the operation of derivative financial instruments, these standards require that the Audit Committee of each credit bank issue an annual communique to confirm its compliance with the provisions issued by Central Bank for this purpose.

The Financial Group is also subject to the provisions issued by the Commission in relation to transactions performed with derivative financial instruments, which include aspects regarding the treatment, documentation and recording of these transactions and their respective risks, as well as other aspects involving the recommendations given to customers when executing this type of contract.

Transactions involving derivative financial instruments, whether intended for trading or hedge purposes, are recognized according to their use intention and valued at fair value.

5) ***Technological risk*** - The corporate strategy employed to manage the technological risk is based on a general contingency and business continuity plan that considers the recovery of critical mission operations in the Financial Group's systems, together with the use of firewalls, the management of confidential online information and systems access security.

6) ***Legal risk*** - The specific legal risk policy utilized by the Financial Group defines the following:

1. The Operating Risk Area will calculate the potential loss that the Financial Group could have due to the emission of adverse judicial or administrative resolutions or the application of sanctions by the competent authorities.

2. The UAIR monthly informs the Risks Committee of the legal risk for follow-up purposes.

3. In conjunction with the documentation traffic area, the financial advisor is responsible for the complete and correct maintenance of customer files as regards legal documents, agreements or contracts.

4. The legal area must monitor the adequate execution of agreements or contracts, including the formalization of guarantees to avoid transaction performance defects.

5. 5. It is the responsibility of the Litigation Legal area to register, classify and quantify in the JIRA system all the Judgements in which the Financial Group is charged, as well as to keep the status of the same up to date.

Calculation of the potential loss due to legal risk

The calculation is made taking into consideration the following premises:

- Litigation in which the Financial Group is "accuser" or "defendant"
- Trial status at the close of the month is "in force"
- Classification of the trial in the field of probable result is "unfavorable"

Metodología de cálculo

PCalculation methodology

Unfavorable verdict probability calculation = (Unfavorable frequency) x (Severity)
Unfavorable frequency = (Total unfavorable judgments) / (Total judgments to litigate)
Severity = ($\sum$ unfavorable quantity demanded) / (Total unfavorable judgments)
Expected loss = ($\sum$ unfavorable quantity demanded) x (Unfavorable frequency)

As of December 31, 2018, the loss expected from unfavorable verdicts is for $22.97.

7) ***Operating risk*** - As regards non-discretionary risks, the risk tolerance level will be 20% of the average of the last 36 months of the net income month.

For the calculation of the capital requirement for operational risk, the method used by the Financial Group is the basic.

As internal operating risk models are not currently available, the occurrence of operating risks is estimated by means of the simple arithmetic average of the fine and bankruptcy accounts of the last 36 months.

As of December 31, 2018, the monthly average of the fine and bankruptcy, considering the last 36 months was $11.98.

8) ***Of the non-quantifiable risks*** - They are those that are derived from unexpected events, for which it is not possible to collect a history that allows to show what the losses would be that they could have. These include: Strategic Risk, Reputation Risk and Business Risk.

9) ***Strategic risk: are those losses that the Financial –*** Group may face due to adverse business decisions, inappropriate application of decision making, or deficiency of the capacity to respond to changes in the industry, which may affect the objectives set forth in the budget.

This risk will be measured with reference to the evaluation of the effectiveness of the hedges of derivative financial instruments.

Indicator	Limit
Evaluation of the effectiveness of the coverage	80% ≤ Coef ≤ 125%

10) ***Reputation risk:*** - are those losses that the Financial Group may confront, due to an action, situation or transaction, which may reduce confidence in the integrity and competence of customers, stockholders, employees or the general public, that is, there is a deteriorate of the perception of the Financial Group. This risk is measured in relation to complaints.

Indicator	Limit
Total of Complaints	<= 10,000

11) ***Riesgo de negocio:*** son aquellas pérdidas que el Grupo Financiero puede enfrentar, resultado de características propias de su negocio, cambios económicos o en su entorno.

Indicator	Límit
ICOR Commercial	Al menos 0.8 veces
ICOR Consumer	Al menos 1 vez
ICOR Mortgage	Al menos 0.4 veces

On December 31, 2018, no relevant events have been reported.

42. Leverage ratio (unaudited)

In accordance with the compliance with the Basel supervision agreements as of June 2018, the leverage ratio is calculated according to the methodology established by the Commission, in order to see if the capital of the Bank adequately supports the assets of the Bank itself.

The following is the leverage ratio as of 2018:

Reference	Description		Amount
On balance sheets exposure			
1	In-balance sheet items (excluding derivative financial instruments and securities lending and securities lending - including collaterals received as collateral and recorded on the balance sheet)	$	357,499
2	Amounts of assets deducted to determine Tier 1 capital of Basel III		(22,372)
3	In-balance sheet exposures (net) (excluding derivative financial instruments and FTS, sum of lines 1 and 2)		335,127

Reference	Description	Amount
Exposure to financial derivative instruments		
4	Current replacement cost associated with all transactions with financial derivative instruments (net of the allowable cash variation margin)	5,379
5	Amounts of additional factors for potential future exposure associated with all derivative financial derivative transactions	3,087
6	Increase by collateral provided in transactions with derivative financial instruments when said collateral is derecognized from the balance sheet according to the operating accounting framework	-
7	Deductions from accounts receivable by margin of variation in cash provided in transactions with derivative financial instruments	(4,120)
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	-
9	Effective adjusted notional amount of the underwriting credit derivatives	-
10	Compensations made to the adjusted effective notional of the credit derivative financial instruments subscribed and deductions of the additional factors by the credit derivative financial instruments subscribed	-
11	Total exposures to derivative financial instruments (sum of lines 4 to 10)	4,346
Exposiciones por operaciones de financiamiento con valores		
12	Gross SFT assets (without offsetting recognition), after adjustments for sales accounting transactions	26,140
13	Accounts Payable and Receivable for offset SFTs	-
14	Exposure Risk of Counterparty by SFT	-
15	Exhibitions by SFT acting on behalf of third parties	-
16	Total exposures for securities financing operations (sum of lines 12 to 15)	26,140
Other off-balance sheet exposures		
17	Off-balance sheet exposure (gross notional amount)	66,300
18	Conversion adjustments to credit equivalents	(17,484)
19	Out-of-balance items (sum of lines 17 and 18)	48,816
Capital and total exposures		
20	Level 1 capital	87,496
21	Total exposures (sum of lines 3, 11, 16 and 19)	414,429
Leverage ratio		
22	Basel III leverage ratio	21.11%

Explanatory notes for the leverage ratio

Reference	Explanation
1	Total assets of the Financial Group without consolidating subsidiaries or special purpose entities less the assets presented in said balance sheet by: 1) operations with derivative financial instruments, 2) repurchase transactions and 3) securities lending.
2	Amount of deductions of the basic capital established in items b) to r) of fraction I, of Article 2 Bis 6 of the General Provisions Applicable to Credit Institutions (the Accounting Criteria). The amount must be registered with a negative sign.
3	Sum of lines 1 and 2
4	Current replacement cost (CR) of transactions with derivative financial instruments, as set out in Schedule 1-L of the Provisions, less partial cash settlements (margin of variation in cash) received, provided that Following conditions: a. In the case of counterparties other than the clearing houses mentioned in the second paragraph of Article 2 Bis 12 a, the cash received must be available to the Financial Group. b. The market valuation of the transaction is performed daily and the cash received is exchanged with the same frequency. c. The cash received as well as the operation with the derivative instrument are denominated in the same currency. d. The exchange variation amount in cash is at least the amount necessary to cover the market value considering the threshold and the minimum amount transferred agreed in the corresponding framework contract. e. The framework contract with the counterparty must consider both the transaction and the margin of variation, and must stipulate explicitly that the liquidation, in case of default, bankruptcy, restructuring or insolvency, of any of the parties, will be made after clearing the operations and will consider the cash variation margins received. In any case, the maximum amount of cash variation margins that may be considered will be the one corresponding to the positive value of the current replacement cost of each counterparty.
5	Additional factor according to Annex 1-L of the Provisions, of operations with derivative financial instruments. In addition, in the case of credit derivative financial instruments in which credit protection is provided, the conversion value to credit risk must be included in accordance with Article 2 Bis 22 of the Provisions. Under no circumstances may the financial collateral received by the Financial Group be used to reduce the amount of the additional Factor reported in this line.
6	Does not apply. The accounting framework does not allow for the write-off of assets delivered as collateral.
7	Amount of cash variation margins delivered in transactions with financial derivative instruments that comply with the conditions indicated in line 4 to subtract the cash variation margins received. The amount must be registered with a negative sign.
8	Does not apply.

Reference	Explanation
9	Does not apply. The exposure considered for purposes of the solvency framework in operations with credit derivative financial instruments in which credit protection is provided corresponds to 100 percent of the amount effectively guaranteed in the transactions in question. This exhibition is considered in line 5.
10	Does not apply. The exposure considered for purposes of the solvency framework in operations with credit derivative financial instruments in which credit protection is provided corresponds to 100 percent of the amount effectively guaranteed in the transactions in question. This exhibition is considered in line 5.
11	Sum of lines 4 to 10
12	Amount of assets recorded on the balance sheet (accounts receivable recorded in books) of repurchase agreements and securities loan transactions. The amount must not consider any offsetting in accordance with accounting criteria.
13	Positive amount resulting from deducting the accounts payable from the accounts receivable generated in repurchase agreements and security loan transactions, on its own account, with the same counterparty, subject to the following conditions: a) The respective transactions must have the same settlement date. b) There must be the right to settle the transactions at any time. c) The transactions must be settled in the same system and there must be a settlement mechanism or arrangements (lines or guarantees) which enable the settlement to be made at the end of the day on which the decision is taken to settle. d) Any problem related with the settlement of the flows of the collateral in the form of securities, must not hinder the settlement of the accounts payable and receivable in cash. The amount should be recorded with a negative sign.
14	Credit risk conversion value of the repurchase agreements and securities loan transactions on its own account, in accordance with article 2 Bis 22 of the Provisions applicable to Credit Banks, when there is no framework offsetting contract; and in accordance with article 2 Bis 37 when such contract exists. The above does not consider adjustments for admissible security interests which are applied to the collateral within the context of capitalization.
15	For repurchase agreements and securities loan transactions on account of third parties, in which the Financial Group provides collateral to its customers in the event of counterparty default, the amount which should be recorded is the positive difference between the value of the security or cash that the customer has paid and the value of the collateral which the recipient has provided. Furthermore, if the Financial Group can use the collateral delivered by its customers, on its own account, the amount equivalent to the value of the securities and/or cash delivered by the customer to the Financial Group.
16	Sum of lines 12 through 15

Reference	Explanation
17	Amounts of credit commitments recognized in memorandum accounts in accordance with accounting criteria.
18	Amounts of reductions in the value of credit commitments recognized in memorandum accounts for application of the credit risk conversion factors established in Title First Bis of the Provisions, on the basis that the minimum credit risk conversion factor is 10% (in those cases where the conversion factor is 0%) and in the case of transactions referred to in subsection IV of article 2 Bis 22 of such Provisions, a credit risk conversion factor of 100%. The amount should be recorded with a negative sign.
19	Sum of lines 17 and 18
20	Basic capital calculated in accordance with article 2 Bis 6 of the Accounting Criteria
21	Sum of lines 3, 11, 16 and 19.
22	Leverage Ratio. Coefficient of line 20 divided by line 21.

Adjusted assets

Explanatory notes for the adjusted assets

Reference	Description	Amount
1	Total assets	$ 394,205
2	Adjustment for investments in the equity of banks, financial banks, insurance companies or commercial entities which consolidate for accounting purposes, but remain outside the scope of regulatory consolidation.	(20,713)
3	Adjustment related to fiduciary assets recognized on the balance sheet in accordance with the accounting framework, but excluded from the measurement of the exposure of the leverage coefficient.	-
4	Adjustment for financial derivatives.	(7,227)
5	Adjustment for repurchase agreements and securities loans transactions.	1,006
6	Adjustment for items recognized in memorandum accounts.	48,816
7	Other adjustments.	(1,658)
8	Exposure to the leverage coefficient	414,429
1	Total assets of the Financial Group without consolidating subsidiaries or special purpose entities.	

Reference	Explanation
1	Total assets of the Financial Group without consolidating subsidiaries or special purpose entities.
2	Amount of deductions of basic capital contained in subsections b), d), e), f), g), h), i), j) and l) of section I, article 2 Bis 6 of the Provisions. The amount should be recorded with a negative sign.
3	Not applicable. The scope of application is for the Financial Group, without consolidating subsidiaries or special purpose entities.
4	Amount equivalent to the difference between the figures contained in row 11 of Table I.1 and the figures presented in transactions with financial derivatives contained on the balance sheet of the Financial Group. The amount should be recorded with the sign resulting from the difference indicated; i.e., it may be positive or negative.
5	Amount equivalent to the difference between the figures contained in row 16 of Table I.1 and the figure presented for repurchase agreements and loan securities transactions contained on the balance sheet of the Financial Group. The amount should be recorded with the sign resulting from the difference indicated; i.e., it may be positive or negative.
6	Amount recorded in row 19 of Table I.1. The amount should be recorded with a positive sign.
	Amount of the deductions of basic capital contained in subsections c), k), m), n), p), q) and r) of section I of article 2 Bis 6 of the Provisions.
7	The amount should be recorded with a negative sign.
8	Sum of lines 1 to 7, which should match line 21 of table I.1.

Reconciliation between Total Assets and the exposure within the Balance

Reference	Description		Dec-18
1	Total assets	$	394,205
2	Transactions in derivative financial instruments		(11,572)
3	Repurchase transactions and securities lending		(25,134)
4	Fiduciary assets recognized in the balance sheet in accordance with the accounting framework, but excluded from the exposure measure of the leverage ratio		-
5	Exhibitions within the Balance		357,499

Explanatory notes to the reconciliation between the Total Asset and the exposure within the Balances

Reference	Description
1	Total Financial Group assets without consolidating subsidiaries or specific purpose entities
2	The amount corresponding to transactions in derivative financial instruments presented in the assets of the latest consolidated financial statements. The amount must be recorded with a negative sign
3	The amount corresponding to repurchase transactions and securities lending presented in the assets of the last consolidated financial statements. The amount should be recorded with negative sign.
4	Not applicable. The scope of application is without consolidating subsidiaries or specific purpose entities.
5	Sum of lines 1 to 4, which must coincide with line 1 of Table I.1

Main causes of the most important variations of the elements (numerator and denominator of the leverage ratio)

Concept/quarter	Sep-18	Dec-18	Variation (%)
Basic capital [1/]	84,256	87,496	3.7%
Attached assets [2/]	381,462	414,429	8%
Leverage ratio [3/]	22.09%	21.11%	(1%)

43. Subsequent event

On February 12, 2019, CI Banco, S.A., Institución de Banca Múltiple, in its capacity as Trustee of Irrevocable Trust number CIB/2930, issuer of the Energy and Infrastructure Investment Fiduciary Stock Certificates (the Certificates), identified with ticker symbol "FINAIM 18", informed public investors through the Mexican Stock Market of the authorization to early redeem the Certificates and make a capital reimbursement to the holders.

Accordingly, on February 28, 2019, the Financial Group received the settlement of the Certificates for the amount of $6,016. As of December 31, 2018 the position on the consolidated balance sheet of the Financial Group in such Certificates was $5,211, presented in "Trading securities" as part of "Investments in securities".

44. New accounting pronouncements

NIF issued by the CINIF applicable to the Financial Group

As of December 31, 2018, the CINIF has issued the following NIFs and Improvements to NIFs which may affect the consolidated financial statements of the Financial Group:

Effective January 1, 2019

NIF D-5, Leases - The accounting recognition for the lessor does not change and only disclosure requirements are added. For the lessee, it introduces a single model for the recognition of leases that eliminates the classification of leases as operating or financial, so it must recognize the assets and liabilities of all leases with a duration exceeding 12 months (unless the asset underlying is of low value). Consequently, the most important impact will be an increase in the assets under lease and in the financial liabilities of a lessee when recognizing an asset for the right to use the leased underlying asset and a lease liability that reflects the obligation of lease payments at present value. The following aspects should be considered when applying this NIF: a) a lease is defined as a contract that transfers to the lessee the right to use an asset for a specific period of time in exchange for a consideration, therefore, it must be evaluated, at beginning of the contract, if the right to control the use of an identified asset for a determined period of time is obtained; b) changes the nature of the expenses related to leases, by replacing the operating lease expense in accordance with Bulletin D-5, by an expense for depreciation or amortization of assets for right of use (in operating costs) and an expense for interest on lease liabilities (in the Financial margin); c) modifies the presentation in the statement of cash flows by reducing cash outflows from operating activities, with an increase in cash flow outflows from financing activities to reflect payments of lease liabilities; d) modifies the recognition of the gain or loss when a seller-lessee transfers an asset to another entity and leases that asset back to back.

Standardization of Accounting Criteria by the Commission

During 2018 the Commission amended the Provisions in order to incorporate the following NIF and establish that they will go into effect January 1, 2020: B-17 “Determination of fair value”, C-3 “Accounts receivable”, C-9 “Provisions, contingencies and commitments”, C-16 “Impairment of financial instruments receivable”, C-19 “Financial instruments payable”, C-20 “Financial instruments to collect principal and interest”, D-1 “Revenues from contracts with customers”, D-2 “Costs of contracts with customers” and D-5 “Leases”, issued by the Mexican Financial Reporting Standards Board, referenced in paragraph 3 of Criterion A-2 “Application of specific standards

At the date of issuance of these consolidated financial statements, the Financial Group has not completed its evaluation of the potential effects of adopting these new standards on its financial information.

45. Authorization of financial statements

The accompanying consolidated financial statements and the corresponding notes were authorized by the Financial Group management for issuance on March 13, 2019, consequently they do not reflect the events that occurred after that date and are subject to the approval of the Ordinary General Stockholders' Meeting of the Financial Group, who can decide their modification in accordance with the General Law of Commercial Companies. Also, they are subject to review by the Commission, therefore they could be modified as a result of a review by this supervisory authority. The consolidated financial statements as of December 31, 2017 were approved by the Financial Group’s Stockholders' Meeting on April 27, 2018.

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Balances generales consolidados

Al 31 de diciembre de 2018 y 2017 (En millones de pesos)

Activo	**2018**	**2017**
Disponibilidades (Nota 5)	$ 32,112	$ 21,245
Cuentas de margen (Nota 6)	315	241
Inversiones en valores (Nota 7):		
Títulos para negociar	72,646	56,509
Títulos disponibles para la venta	264	425
	72,910	56,934
Deudores por reporto (Nota 8)	25,134	8,147
Derivados (Nota 9):		
Con fines de negociación	7,864	6,641
Con fines de cobertura	3,708	2,812
	11,572	9,453
Ajuste de valuación por cobertura de activos financieros (Nota 10)	323	436
Cartera de crédito vigente:		
Créditos comerciales:		
Actividad empresarial o comercial	171,637	194,205
Entidades financieras	8,800	8,382
Entidades gubernamentales	12,284	24,374
Créditos de consumo	45,978	47,609
Créditos a la vivienda	5,519	6,212
Total cartera de crédito vigente	244,218	280,782
Cartera de crédito vencida:		
Créditos comerciales:		
Actividad empresarial o comercial	2,133	4,861
Entidades Financieras	1	-
Créditos de consumo	2,969	3,193
Créditos a la vivienda	852	642
Total cartera de crédito vencida	5,955	8,696
Total cartera de crédito (Nota 11)	250,173	289,478
Estimación preventiva para riesgos crediticios (Nota 12)	(9,618)	(11,746)
Total de cartera de crédito, neta	240,555	277,732
Otras cuentas por cobrar, neto (Nota 13)	14,437	18,062
Bienes adjudicados, neto (Nota 14)	1,232	1,930
Inmuebles, mobiliario y equipo, neto (Nota 15)	2,248	1,881
Inversiones permanentes (Nota 16)	10,790	10,672
Otros activos, cargos diferidos e intangibles, neto (Nota 17)	3,745	3,610
Total activo	$ 415,373	$ 410,343

Pasivo y capital contable	**2018**	**2017**
Captación tradicional:		
Depósitos de exigibilidad inmediata (Nota 18a)	$ 124,395	$ 106,587
Depósitos a plazo (Nota 18b):		
Del público en general	25,450	24,295
Mercado de dinero	472	7,480
	25,922	31,775
Títulos de crédito emitidos (Nota 18c)	62,905	95,251
Cuenta global de captación sin movimiento (Nota 18d)	105	89
	213,327	233,702
Préstamos interbancarios y de otros organismos (Nota 19):		
De exigibilidad inmediata	3,163	6
De corto plazo	201	1,041
De largo plazo	35,736	35,714
	39,100	36,761
Derivados (Nota 9):		
Con fines de negociación	10,506	12,374
Con fines de cobertura	6,978	12,804
	17,484	25,178
Otras cuentas por pagar:		
Impuesto a la utilidad por pagar (Nota 20)	241	1,087
Acreedores por liquidación de operaciones (Nota 5b)	18,865	4,185
Acreedores por cuentas de margen	529	509
Acreedores por colaterales recibidos en efectivo (Nota 21)	4,180	2,125
Acreedores diversos y otras cuentas por pagar (Nota 22)	4,090	3,064
	27,905	10,970
Impuestos diferido, neto (Nota 23)	1,352	8
Créditos diferidos y cobros anticipados	1,288	1,184
Total pasivo	300,456	307,803
Capital contable (Nota 25):		
Capital contribuido:		
Capital social	17,579	17,579
Prima en venta de acciones	7,685	7,685
	25,264	25,264
Capital ganado:		
Reservas de capital	12,963	11,669
Resultado de ejercicios anteriores	58,276	47,051
Resultado por valuación de instrumentos de cobertura de flujos de efectivo	1,216	245
Efecto acumulado por conversión	30	93
Resultado por tenencia de activos no monetarios	1,624	1,624
Resultado neto	11,727	13,001
Capital contable mayoritario	85,836	73,683
Participación no controladora	3,817	3,593
Total capital contable	114,917	102,540
Total pasivo y capital contable	$ 415,373	$ 410,343

Cuentas de orden (Nota 32)

	2018	2017
Compromisos crediticios	$ 94,204	$ 92,903
Bienes en fideicomiso o mandato	379,142	380,203
Bienes en custodia o en administración	356,383	421,525
Otras cuentas de registro	1,124,227	1,186,802
Colaterales recibidos por el Banco	26,169	9,006
Intereses devengados no cobrados derivados de cartera de crédito vencida	1,996	1,780
Colaterales recibidos y vendidos o entregados en garantía por el Banco	1,000	853
	$ 1,983,121	$ 2,093,072

"Al 31 de diciembre de 2018 y 2017, el monto del capital social histórico asciende a $8,344".

"Los presentes balances generales consolidados se formularon de conformidad con los Criterios de Contabilidad para las instituciones de crédito, emitidos por la Comisión Nacional Bancaria y de Valores de México, con fundamento en lo dispuesto por los artículos 99, 101 y 102 de la Ley de Instituciones de Crédito, de observancia general y obligatoria, aplicados de manera consistente, encontrándose reflejadas las operaciones efectuadas por la Institución hasta las fechas arriba mencionadas, las cuales se realizaron y valuaron con apego a sanas prácticas bancarias y a las disposiciones legales y administrativas aplicables".

"Los presentes balances generales consolidados fueron aprobados por el Consejo de Administración, bajo la responsabilidad de los directivos que los suscriben".

Javier Foncerrada Izquierdo Director General	Raúl Reynal Peña Director de Administración y Finanzas	Federico Loaiza Montaño Director de Auditoría Interna	Alejandro Santillán Estrada Subdirector de Control Interno

Las notas adjuntas son parte integrante de estos estados financieros consolidados.

Banco Inbursa, S.A. Institución de Banca Múltiple, Grupo Financiero Inbursa y Subsidiarias

Estados consolidados de resultados

Por los años terminados el 31 de diciembre de 2018 y 2017 (En millones de pesos)

	2018	2017
Ingresos por intereses	$ 40,289	$ 37,238
Gastos por intereses	(17,539)	(17,091)
Margen financiero (Nota 28)	22,750	20,147
Estimación preventiva para riesgos crediticios (Nota 12)	(8,199)	(10,053)
Margen financiero ajustado por riesgos crediticios	14,551	10,094
Comisiones y tarifas cobradas (Nota 29)	6,861	6,432
Comisiones y tarifas pagadas	(1,807)	(1,973)
Resultado por intermediación (Nota 30)	1,922	10,254
Otros ingresos de la operación, neto (Nota 31)	1,726	480
Gastos de administración y promoción	(8,434)	(8,238)
Resultado de la operación	14,819	17,049
Participación en el resultado de subsidiarias no consolidadas y asociadas (Nota 16)	816	1,335
Resultado antes de impuestos a la utilidad	15,635	18,384
Impuesto a la utilidad causado (Nota 20)	3,264	3,411
Impuesto a la utilidad diferido (Nota 23)	396	1,009
	3,660	4,420
Resultado neto	11,975	13,964
Participación no controladora	(248)	(963)
Resultado neto mayoritario	$ 11,727	$ 13,001

"Los presentes estados consolidados de resultados se formularon de conformidad con los Criterios de Contabilidad para las instituciones de crédito, emitidos por la Comisión Nacional Bancaria y de Valores de México, con fundamento en lo dispuesto por los artículos 99, 101 y 102 de la Ley de Instituciones de Crédito, de observancia general y obligatoria, aplicados de manera consistente, encontrándose reflejados todos los ingresos y egresos derivados de las operaciones efectuadas por la Institución durante los períodos arriba mencionados, las cuales se realizaron y valuaron con apego a sanas prácticas bancarias y a las disposiciones legales y administrativas aplicables".

"Los presentes estados consolidados de resultados fueron aprobados por el Consejo de Administración, bajo la responsabilidad de los directivos que los suscriben".

Javier Foncerrada Izquierdo	Raúl Reynal Peña	Federico Loaiza Montaño	Alejandro Santillán Estrada
Director General	Director de Administración y Finanzas	Director de Auditoría Interna	Subdirector de Control Interno

Las notas adjuntas son parte integrante de estos estados financieros consolidados.

Estados consolidados de variaciones en el capital contable

Por los años terminados el 31 de diciembre de 2018 y 2017 (En millones de pesos)

	Capital contribuido			
	Capital social	Prima en venta de acciones	Reservas de capital	Resultado de ejercicios anteriores
Saldos al inicio de 2017	$ 17,579	$ 7,685	$ 10,902	$ 40,804
Movimientos inherentes a las decisiones de los accionistas-				
Traspaso del resultado del ejercicio anterior	-	-	767	6,976
Decreto de dividendos	-	-	-	(925)
Total	-	-	767	6,051
Movimientos inherentes al reconocimiento de la utilidad integral-				
Resultado por valuación de instrumentos de cobertura de flujos de efectivo	-	-	-	196
Resultado por tenencia de activos no monetarios	-	-	-	-
Efecto acumulado por conversión	-	-	-	-
Otros	-	-	-	-
Resultado neto	-	-	-	-
Total	-	-	-	196
Saldos al 31 de diciembre de 2017	17,579	7,685	11,669	47,051
Movimientos inherentes a las decisiones de los accionistas-				
Traspaso del resultado del ejercicio anterior	-	-	1,294	11,707
Total	-	-	1,294	11,707
Movimientos inherentes al reconocimiento de la utilidad integral-				
Resultado por valuación de instrumentos de cobertura de flujos de efectivo	-	-	-	(482)
Efecto acumulado por conversión	-	-	-	-
Otros	-	-	-	-
Resultado neto	-	-	-	-
Total	-	-	-	(482)
Saldos al 31 de diciembre de 2018	$ 17,579	$ 7,685	$ 12,963	$ 58,276

Capital ganado					
Resultado por valuación de instrumentos de cobertura de flujos de efectivo	Efecto acumulado por conversión	Resultado por tenencia de activos no monetarios	Resultado neto	Participación no controladora	Total capital contable
$ 874	$ 126	$ 1,782	$ 7,743	$ 2,744	$ 90,239
-	-	-	(7,743)	-	-
-	-	-	-	-	(925)
-	-	-	(7,743)	-	(925)
(629)	-	-	-	-	(433)
-	-	(158)	-	-	(158)
-	(33)	-	-	-	(33)
-	-	-	-	(114)	(114)
-	-	-	13,001	963	13,964
(629)	(33)	(158)	13,001	849	13,226
245	93	1,624	13,001	3,593	102,540
-	-	-	(13,001)	-	-
-	-	-	(13,001)	-	-
971	-	-	-	-	489
-	(63)	-	-	-	(63)
-	-	-	-	(24)	(24)
-	-	-	11,727	248	11,975
971	(63)	-	11,727	224	12,377
$ 1,216	$ 30	$ 1,624	$ 11,727	$ 3,817	$ 114,917

"Los presentes estados consolidados de variaciones en el capital contable, se formularon de conformidad con los Criterios de Contabilidad para las instituciones de crédito, emitidos por la Comisión Nacional Bancaria y de Valores de México, con fundamento en lo dispuesto por los artículos 99, 101 y 102 de la Ley de Instituciones de Crédito, de observancia general y obligatoria, aplicados de manera consistente, encontrándose reflejados todos los movimientos en las cuentas de capital contable derivados de las operaciones efectuadas por la Institución durante los períodos arriba mencionados, las cuales se realizaron y valuaron con apego a sanas prácticas bancarias y a las disposiciones legales y administrativas aplicables".

"Los presentes estados consolidados de variaciones en el capital contable fueron aprobados por el Consejo de Administración, bajo la responsabilidad de los directivos que los suscriben".

Javier Foncerrada Izquierdo Director General	Raúl Reynal Peña Director de Administración y Finanzas	Federico Loaiza Montaño Director de Auditoría Interna	Alejandro Santillán Estrada Subdirector de Control Interno

Las notas adjuntas son parte integrante de estos estados financieros consolidados.

Estados consolidados de flujos de efectivo

Por los años terminados el 31 de diciembre de 2018 y 2017 (En millones de pesos)

	2018	2017
Resultado neto	$ 11,975	$ 13,964
Ajustes por partidas que no implican flujos de efectivo:		
Impuestos a la utilidad causados y diferidos	3,660	4,420
Depreciación de inmuebles, mobiliario y equipo	387	403
Amortización de activos intangibles	19	7
Participación en el resultado de subsidiarias no consolidadas y asociadas	(816)	(1,335)
	15,225	17,459
Actividades de operación:		
Cambio en cuentas de margen	(74)	4,654
Cambio en inversiones en valores	(15,976)	6,319
Cambio en deudores por reporto	(16,987)	(8,147)
Cambio en derivados (activo)	(1,223)	983
Cambio en cartera de crédito, neto	37,177	(6,510)
Cambio en bienes adjudicados, neto	698	5
Cambio en otros activos operativos, neto	3,625	3,696
Cambio en captación tradicional	(20,375)	(13,814)
Cambio en préstamos interbancarios y de otros organismos	2,339	7,166
Cambio en derivados (pasivo)	(1,868)	(1,980)
Cambio en otros pasivos operativos	18,536	(5,198)
Cambio en instrumentos de cobertura (de partidas cubiertas con actividades de operación)	(5,910)	(423)
Pago de impuestos a la utilidad	(4,110)	(3,851)
Flujos netos de efectivo de actividades de operación	11,077	359
Actividades de inversión:		
Pagos por adquisición de inmuebles, mobiliario y equipo	(754)	(236)
Cobros por venta de inversiones permanentes	698	3,405
Pagos por adquisición de activos intangibles	(154)	(651)
Flujos netos de efectivo de actividades de inversión	(210)	2,518
Actividades de financiamiento:		
Pago de dividendos	-	(925)
Flujos netos de efectivo de actividades de financiamiento	-	(925)

	2018	2017
Aumento neto de disponibilidades	10,867	1,952
Disponibilidades al inicio del periodo	21,245	19,293
Disponibilidades al final del período	$ 32,112	$ 21,245

"Los presentes estados consolidados de flujos de efectivo se formularon de conformidad con los Criterios de Contabilidad para las instituciones de crédito, emitidos por la Comisión Nacional Bancaria y de Valores de México, con fundamento en lo dispuesto por los artículos 99, 101 y 102 de la Ley de Instituciones de Crédito, de observancia general y obligatoria, aplicados de manera consistente, encontrándose reflejadas las entradas de efectivo y salidas de efectivo derivadas de las operaciones efectuadas por la Institución durante los períodos arriba mencionados, las cuales se realizaron y valuaron con apego a sanas prácticas bancarias y a las disposiciones legales y administrativas aplicables".

"Los presentes estados consolidados de flujos de efectivo fueron aprobados por el Consejo de Administración, bajo la responsabilidad de los directivos que lo suscriben".

Javier Foncerrada Izquierdo	Raúl Reynal Peña	Federico Loaiza Montaño	Alejandro Santillán Estrada
Director General	Director de Administración y Finanzas	Director de Auditoría Interna	Subdirector de Control Interno

Las notas adjuntas son parte integrante de estos estados financieros consolidados.

Seguros Inbursa, S.A., Grupo Financiero Inbursa y Subsidiarias

Balances generales consolidados

Al 31 de diciembre de 2018 y 2017 (En millones de pesos)

Activo	**2018**	**2017**
Inversiones		
Valores		
Gubernamentales	$ 20,155	$ 24,202
Empresas privadas - tasa conocida	16,456	11,089
Empresas privadas - renta variable	9,169	8,766
Extranjeros	1,021	1,141
	46,801	45,198
Deudores por reporto	325	-
Cartera de crédito, neta		
Cartera de crédito vigente	428	459
Cartera de crédito vencida	4	38
(-) Estimación preventiva por riesgo de crédito	(8)	(42)
	424	455
Inmuebles, neto	1,931	1,810
Inversiones para obligaciones laborales	1,986	1,827
Disponibilidad		
Caja y bancos	146	8
Deudores		
Por primas	7,230	7,428
Adeudos a cargo de dependencias y entidades de la administración Pública federal	542	736
Agentes y ajustadores	8	9
Documentos por cobrar	87	111
Otros	588	561
(-) Estimación para castigos	(125)	(122)
	8,330	8,723
Reaseguradores y reafianzadores, neto		
Instituciones de seguros y fianzas	759	522
Depósitos retenidos	1	1
Importes recuperables de reaseguro	8,956	10,809
(-) Estimación preventiva de riesgos crediticios de reaseguradores extranjeros	(3)	(2)
(-) Estimación para castigos	(19)	(19)
	9,694	11,311
Inversiones permanentes		
Asociadas	1,668	1,529
Otros activos		
Mobiliario y equipo, neto	111	127
Activos adjudicados, neto	21	17
Diversos	1,171	1,019
	1,303	1,163
Suma del activo	$ 72,608	$ 72,024

Pasivo y capital contable	2018	2017
Reservas técnicas		
De riesgos en curso		
Seguros de vida	$ 15,269	$ 15,579
Seguros de accidentes y enfermedades	2,071	1,953
Seguros de daños	5,728	6,078
De fianzas en vigor	35	40
	23,103	23,650
Reserva por obligaciones pendientes por cumplir		
Por pólizas vencidas y siniestros ocurridos. pendientes de pago	7,929	10,044
Por siniestros ocurridos y no reportados y gastos de ajuste asignados a los siniestros	2,719	2,044
Fondos de seguros en administración	1,208	1,126
Por primas en depósito	209	247
	12,065	13,461
Reserva de contingencia	31	28
Reservas de riesgos catastróficos	10,304	11,759
Reservas para obligaciones laborales	1,946	1,830
Acreedores		
Agentes y ajustadores	766	748
Fondos en administración de pérdidas	7	6
Diversos	911	966
	1,684	1,720
Reaseguradores y reafianzadores		
Instituciones de seguros y fianzas	781	792
Otras participaciones	71	71
	852	863
Otros pasivos		
Provisión para la participación de los trabajadores en la utilidad	478	230
Provisión para el pago de impuestos	1,495	758
Otras obligaciones	1,214	1,243
Créditos diferidos	2,742	2,962
	5,929	5,193
Suma del pasivo	55,914	58,504
Capital contable		
Capital contribuido		
Capital o fondo social pagado		
Capital social	1,227	1,227
Capital no suscrito	(160)	(160)
	1,067	1,067
Capital ganado		
Reservas		
Legal	1,067	804
Otras	4,802	3,909
	5,869	4,713
Superávit por valuación	2,548	2,250
Inversiones permanentes	2,338	1,545
Resultado de ejercicios anteriores	1,992	989
Resultado del ejercicio	2,895	2,975
Remediciones por beneficios definidos a los empleados	(19)	(23)
Participación controladora	16,690	13,516
Participación no controladora	4	4
Suma del capital	16,694	13,520
Suma del pasivo y del capital contable	$ 72,608	$ 72,024

Cuentas de orden	**2018**	**2017**
Fondos en administración	$ 1,951	$ 1,798
Responsabilidades por fianzas en vigor	$ 9,800	$ 11,910
Pérdida fiscal por amortizar	$ 1	$ 1
Cuentas de registro	$ 17,617	$ 10,565

"Los presentes balances generales consolidados se formularon de conformidad con las disposiciones emitidas en materia de contabilidad por la Comisión Nacional de Seguros y Fianzas, aplicadas de manera consistente, encontrándose correctamente reflejados en su conjunto, las operaciones efectuadas por la Institución y sus subsidiarias hasta la fecha antes mencionada, las cuales se realizaron y valuaron con apego a las sanas prácticas institucionales y a las disposiciones legales y administrativas aplicables".

"Los presentes balances generales consolidados fueron aprobados por el Consejo de Administración bajo la responsabilidad de los funcionarios que los suscriben".

"Los estados financieros consolidados y las notas de revelación que forman parte integrante de los estados financieros consolidados, pueden ser consultados en Internet, en la página electrónica: https://www.inbursa.com/storage/Seguros_ByER18.pdf".

"Los estados financieros consolidados se encuentran dictaminados por el C.P.C. Jorge Adrián Ramírez Soriano, miembro de la sociedad denominada Galaz, Yamazaki, Ruiz Urquiza, S.C. contratada para prestar los servicios de auditoría externa a esta Institución; asimismo, las reservas técnicas de la Institución fueron dictaminadas por el Act. Luis Hernández Fragoso".

"El Dictamen emitido por el auditor externo, los estados financieros consolidados y las notas que forman parte integrante de los estados financieros consolidados dictaminados, se ubicarán para su consulta en Internet, en la página electrónica: https://www.inbursa.com/storage/Seguros_EFD1812.pdf a partir de los cuarenta y cinco días hábiles siguientes al cierre del ejercicio de 2018".

"Asimismo, el reporte sobre la solvencia y condición financiera, se ubicará para su consulta en Internet, en la página electrónica: https://www.inbursa.com/storage/Seguros_RSCF1812.pdf a partir de los noventa días hábiles siguientes al cierre del ejercicio de 2018".

Seguros Inbursa, S.A., Grupo Financiero Inbursa y Subsidiarias

Estados consolidados de resultados

Por los años que terminaron el 31 de diciembre de 2018 y 2017
(En millones de pesos)

	2018	2017
Primas:		
Emitidas	$ 19,935	$ 20,909
(-) Cedidas	4,760	4,369
De retención	15,175	16,540
(-) Incremento neto de la reserva de riesgos en curso y de fianzas en vigor	275	1,570
Primas de retención devengadas	14,900	14,970
(-) Costo neto de adquisición		
Comisiones a agentes	1,301	1,272
Compensaciones adicionales a agentes	472	460
Comisiones por reaseguro y reafianzamiento tomado	25	23
Comisiones por reaseguro cedido	(487)	(519)
Cobertura de exceso de pérdida	278	296
Otros	829	1,106
	2,418	2,638
(-) Costo neto de siniestralidad, reclamaciones y otras obligaciones pendientes de cumplir		
Siniestralidad y otras obligaciones pendientes de cumplir	9,819	10,327
Siniestralidad recuperada del reaseguro no proporcional	49	(258)
	9,868	10,069
Utilidad técnica	2,614	2,263
(-) Incremento neto de otras reservas técnicas		
Reserva para riesgos catastróficos	(1,455)	361
Reserva de contingencia	3	(15)
	(1,452)	346
Utilidad bruta	4,066	1,917
(-) Gastos de operación, netos		
Gastos administrativos y operativos	(1,277)	(1,088)
Remuneraciones y prestaciones al personal	3,381	3,030
Depreciaciones y amortizaciones	77	70
	2,181	2,012
Utilidad (pérdida) de operación	1,885	(95)

Pensiones Inbursa, S.A., Grupo Financiero Inbursa y Subsidiaria

Balances generales consolidados

Al 31 de diciembre de 2018 y 2017 (En millones de pesos)

Activo	**2018**	**2017**
Inversiones		
Valores		
Gubernamentales	$ 1,720,459	$ 18,062,395
Empresas privadas - tasa conocida	2,253,282	4,698,627
Empresas privadas - renta variable	1,509,929	1,778,332
Extranjeros	1,256,428	1,034,105
	6,740,098	25,573,459
Operaciones con productos derivados	18,430	960
Deudor por reporto	351,706	-
Cartera de crédito, neto		
Cartera de crédito vigente	16,788	-
Cartera de crédito vencida	1,292,830	1,292,830
(-) Estimaciones preventivas por riesgo crediticio	(2)	(2)
	1,309,616	1,292,828
Inmuebles, neto	2,075,685	2,089,770
Disponibilidades		
Caja y bancos	83,331	41,799
Deudores		
Otros	153,290	157,772
(-) Estimación para castigos	(9,248)	(17,420)
	144,042	140,352
Otras inversiones permanentes	159,446	159,446
Otros activos		
Mobiliario y equipo, neto	39,399	43,597
Activos adjudicados	57,209	57,644
Diversos	1,111,388	781,310
Activos intangibles amortizables, netos	3,609	3,609
Activos intangibles de larga duración, netos	(92,689)	(82,148)
	1,118,916	804,012
Suma del activo	$ 12,001,270	$ 30,102,626

Pasivo y capital contable	**2018**	**2017**
Reservas técnicas		
De riesgos en curso		
Seguros de vida	$ 323,994	$ 15,266,412
Reserva de obligaciones pendientes de cumplir		
Por pólizas vencidas y siniestros ocurridos pendientes de pago	1,930	132,715
Por primas en depósito	352	385
	2,282	133,100
Reserva de contingencia	6,296	296,914
Reserva de seguros especializados	6,929	297,394
Reserva para obligaciones laborales	15,485	11,857
Acreedores		
Diversos	3,613	15,326
Operaciones con productos derivados de valor razonable	-	19,105
Otros pasivos		
Provisión para la participación de los trabajadores en la utilidad	592	52
Provisión para el pago de impuestos	260,384	601,279
Otras obligaciones	18,918	22,771
Créditos diferidos	9,130	(32,422)
	289,024	591,680
Suma del pasivo	647,623	16,631,788
Capital		
Capital contribuido		
Capital social	1,458,383	1,458,383
Capital social no suscrito	(350,000)	(350,000)
	1,108,383	1,108,383
Capital ganado		
Reservas		
Legal	1,108,383	846,634
Otras	539,308	742,875
	1,647,691	1,589,509
Superávit por valuación	14,342	-
Inversiones permanentes	5,139,084	4,524,249
Resultados de ejercicios anteriores	2,050,357	3,456,913
Resultado del ejercicio	1,023,072	2,437,441
	8,226,855	10,418,603
Participación controladora	10,982,929	13,116,495
Participación no controladora	370,718	354,343
Suma el capital contable	11,353,647	$ 13,470,838
Suma del pasivo y del capital contable	$ 12,001,270	$ 30,102,626

Cuentas de orden	**2018**	**2017**
Cuentas de registro	$ 14,539,266	$ 18,221,047
Operaciones con productos derivados	$ 3,000,000	$ 3,000,000

Pensiones Inbursa, S.A., Grupo Financiero Inbursa y Subsidiaria

Estados consolidados de resultados

Por los años que terminaron el 31 de diciembre de 2018 y 2017
(En miles de pesos)

	2018	2017
Primas emitidas	$ 9,035	$ 16,725
(-) Incremento neto de la reserva de riesgos en curso	(26,110)	464,856
Primas devengadas	35,145	(448,131)
(-) Costo neto de adquisición	-	8
(-) Costo neto de siniestralidad, reclamaciones y otras obligaciones pendientes de cumplir	475,013	974,583
Pérdida técnica	(439,868)	(1,422,722)
(-) Incremento neto de otras reservas técnicas		
Reserva de contingencia	(708)	8,668
Otras reservas	7,005	(229,645)
Pérdida bruta	(446,165)	(1,201,745)
(-) Gastos de operación, netos		
Gastos administrativos y operativos	(494,329)	(187,783)
Remuneraciones y prestaciones al personal	145,184	141,640
Depreciaciones y amortizaciones	28,255	32,515
	(320,890)	(13,628)
Pérdida de la operación	(125,275)	(1,188,117)
Resultado integral de financiamiento:		
De inversiones	532,016	1,153,342
Por venta de inversiones	618,710	1,874,890
Por valuación de inversiones	240,186	1,126,155
Otros	46,474	94,039
Resultado cambiario	14,017	26,832
	1,451,403	4,275,258
Participación en el resultado de inversiones permanentes	(5)	-
Utilidad antes de impuestos a la utilidad	1,326,123	3,087,141
Provisión para el pago de impuestos a la utilidad	291,432	620,636
Utilidad del ejercicio	1,034,691	2,466,505
Participación no controladora	11,619	29,064
Participación controladora	$ 1,023,072	$ 2,437,441

"Los presentes estados consolidados de resultados se formularon de conformidad con las disposiciones en materia de contabilidad emitidas por la Comisión Nacional de Seguros y Fianzas, aplicadas de manera consistente, encontrándose reflejados los ingresos y egresos derivados de las operaciones efectuadas por la Institución, por los períodos antes mencionados, las cuales se realizaron y valuaron con apego a las sanas prácticas institucionales y a las disposiciones legales y administrativas aplicables".

"Los presentes estados consolidados de resultados fueron aprobados por el Consejo de Administración bajo la responsabilidad de los funcionarios que los suscriben".

Las notas adjuntas son parte de los estados financieros consolidados.

Inbursa Seguros de Caución y Fianzas S.A., Grupo Financiero Inbursa (antes Fianzas Guardiana Inbursa, S.A., Grupo Financiero Inbursa)
(Subsidiaria de Grupo Financiero Inbursa, S.A.B. de C.V.)

Balances generales

Al 31 de diciembre de 2018 y 2017 (En miles de pesos)

Activo	2018	2017
Inversiones		
Valores		
Gubernamentales	$ 1,404,710	$ 836,696
Empresas privadas - tasa conocida	9,956	9,870
Empresas privadas - renta variable	664,771	674,441
	2,079,437	1,521,007
Cartera de crédito, neta		
Cartera de crédito vigente	8,662	10,915
Cartera de crédito vencida	595	71
(-)Estimación preventiva por riesgo de crédito	(194)	(394)
	9,063	10,592
Inmuebles, neto	369,305	342,746
Inversiones para obligaciones laborales	4,529	4,311
Disponibilidad		
Caja y bancos	3,808	1,896
Deudores		
Por primas	480,170	482,412
Agentes y ajustadores	944	161
Deudores por responsabilidades de fianzas por reclamaciones pagadas	14,089	14,213
Otros	31,714	24,041
(-)Estimación para castigos	(12,703)	(11,437)
	514,214	509,390
Reaseguradores y reafianzadores, neto		
Instituciones de seguros y fianzas	12,308	17,540
Importes recuperables de reaseguro	103,563	121,015
(-)Estimación preventiva de riesgos crediticios de reaseguro extranjero	(106)	(123)
(-)Estimación para castigos	(68)	(68)
	115,697	138,364
Inversiones permanentes		
Subsidiarias	65,104	59,485
Asociadas	697,474	657,468
	762,578	716,953
Otros activos		
Mobiliario y equipo, neto	87	103
Activos adjudicados, neto	1,477	1,477
Diversos	372,951	373,622
Activos intangibles amortizables, neto	(44,391)	(35,721)
Activos intangibles de larga duración, neto	385	385
	330,509	339,866
Suma del activo	$ 4,189,140	$ 3,585,125

Pasivo y capital contable	2018	2017
Reservas técnicas		
De riesgos en curso		
De fianzas en vigor	$ 957,353	$ 926,674
Reserva de contingencia	319,142	336,510
	1,276,495	1,263,184
Reservas para obligaciones laborales	2,926	2,704
Acreedores		
Agentes y ajustadores	180	198
Diversos	34,246	30,248
	34,426	30,446
Reaseguradores y reafianzadores		
Instituciones de seguros y fianzas	1,119	7,941
Depósitos retenidos	2,169	2,170
Otras participaciones	4,889	4,798
	8,177	14,909
Otros pasivos		
Provisión para el pago de impuestos	183,737	155,780
Otras obligaciones	96,594	94,358
Créditos diferidos	82,679	83,686
	363,010	333,824
Suma del pasivo	1,685,034	1,645,067
Capital contable		
Capital contribuido		
Capital social pagado		
Capital social	310,161	310,161
Capital social no suscrito	(75,000)	(75,000)
	235,161	235,161
Capital ganado		
Reserva legal	235,161	185,401
Superávit por valuación	107,046	86,658
Inversiones permanentes	514,788	516,783
Resultados de ejercicios anteriores	807,972	389,341
Resultado del ejercicio	603,978	526,714
	2,268,945	1,704,897
Suma del capital	2,504,106	1,940,058
Suma del pasivo y capital	$ 4,189,140	$ 3,585,125

Cuentas de orden	2018	2017
Valores en depósito	$ 18,854	$ 18,854
Responsabilidades por fianzas en vigor	$ 10,444,056	$ 11,963,299
Garantías de recuperación por fianzas expedidas	$ 8,683,699	$ 10,310,560
Reclamaciones recibidas pendientes de comprobación	$ 107,347	$ 142,996
Reclamaciones contingentes	$ 9	$ 47,984
Reclamaciones pagadas	$ 1,709,150	$ 1,702,052
Reclamaciones canceladas	$ 123,553	$ 49,672
Recuperación de reclamaciones pagadas	$ 111,669	$ 96,986
Cuentas de registro	$ 7,972,476	$ 8,568,855

"Los presentes balances generales se formularon de conformidad con las disposiciones emitidas en materia de contabilidad por la Comisión Nacional de Seguros y Fianzas, aplicadas de manera consistente, encontrándose correctamente reflejados en su conjunto, las operaciones efectuadas por la Institución hasta la fecha antes mencionada, las cuales se realizaron y valuaron con apego a las sanas prácticas institucionales y a las disposiciones legales y administrativas aplicables".

"Los presentes balances generales fueron aprobados por el Consejo de Administración bajo la responsabilidad de los funcionarios que los suscriben".

"Los estados financieros y las notas de revelación que forman parte integrante de los estados financieros, pueden ser consultados en Internet, en la página electrónica: https://www.inbursa.com/storage/Fianzas_ByER18.pdf".

"Los estados financieros se encuentran dictaminados por el C.P.C. Jorge Adrián Ramírez Soriano, miembro de la sociedad denominada Galaz, Yamazaki, Ruiz Urquiza, S.C. contratada para prestar los servicios de auditoría externa a esta Institución; asimismo, las reservas técnicas de la Institución fueron dictaminadas por el Act. Luis Hernández Fragoso".

"El Dictamen emitido por el auditor externo, los estados financieros y las notas que forman parte integrante de los estados financieros dictaminados, se ubicarán para su consulta en Internet, en la página electrónica: https://www.inbursa.com/storage/Fianzas_EFD1812.pdf a partir de los cuarenta y cinco días hábiles siguientes al cierre del ejercicio de 2018".

"Asimismo, el reporte sobre la solvencia y condición financiera, se ubicará para su consulta en Internet, en la página electrónica: https://www.inbursa.com/storage/Fianzas_RSCF1812.pdf a partir de los noventa días hábiles siguientes al cierre del ejercicio de 2018".

Operadora Inbursa de Fondos de Inversión S.A., de C.V.

Balances generales

Al 31 de diciembre de 2018 y 2017 (En miles de pesos)

Activo	**2018**	**2017**
Disponibilidades	$ 328	$ 305
Inversiones en valores:		
Títulos para negociar	2,158,328	1,903,463
Cuentas por cobrar	59,949	60,511
Inversiones permanentes	358,775	349,403
Total activo	$ 2,577,380	$ 2,313,682

Pasivo y capital contable	**2018**	**2017**
Otras cuentas por pagar:		
Impuestos a la utilidad por pagar	$ 9,378	$ 3,970
Acreedores diversos y otras cuentas por pagar	9,854	9,369
Impuestos diferidos, neto	167,643	193,257
Total pasivo	186,875	206,596
Capital contable:		
Capital contribuido:		
Capital social	23,938	23,938
Total capital contribuido	23,938	23,938
Capital ganado:		
Reservas de capital	4,449	4,449
Resultados de ejercicios anteriores	2,078,699	1,348,285
Resultado neto	283,419	730,414
Total capital ganado	2,366,567	2,083,148
Total capital contable	2,390,505	2,107,086
Total pasivo y capital contable	$ 2,577,380	$ 2,313,682

Cuentas de orden	**2018**	**2017**
Acciones emitidas (unidades)	603,335,758	603,335,758
Bienes en custodia o administración	$ 2,517,102	$ 2,252,866

"El saldo histórico del capital social al 31 de diciembre de 2018 y 2017, es de $10,000".

"Los presentes balances generales se formularon de conformidad con los criterios de contabilidad aplicables a las sociedades operadoras de Fondos de Inversión, emitidos por la Comisión Nacional Bancaria y de Valores de México, con fundamento en lo dispuesto por el artículo 76 de la Ley de Fondos de Inversión, de observancia general y obligatoria, aplicados de manera consistente, encontrándose reflejadas las operaciones efectuadas por la Operadora hasta las fechas antes mencionadas, las cuales se realizaron y valuaron con apego a sanas prácticas y a las disposiciones legales y administrativas aplicables".

"Los presentes balances generales fueron aprobados por el Consejo de Administración, bajo la responsabilidad del funcionario que los suscribe".

"Los estados financieros adjuntos han sido publicados en la página de Internet: www.bmv.com.mx, de igual forma la información que, en cumplimiento de las disposiciones de carácter general, se le proyectara periódicamente a la Comisión Nacional Bancaria y de Valores puede ser consultada en la página de Internet: www.cnbv.gob.mx".

Alejandro Ovejas Busqueta
Director General

Inversora Bursátil, S.A. de C.V., Casa de Bolsa,

Balances generales

Al 31 de diciembre de 2018 y 2017
(En millones de pesos)

Cuentas de orden

Operaciones por cuenta de terceros	**2018**	**2017**
Clientes cuentas corrientes:		
Bancos de clientes	$ 3	$ 6
Liquidación de operaciones de clientes	(59)	(12)
	(56)	(6)
Operaciones en custodia:		
Valores de clientes recibidos en custodia	1,864,202	2,620,731
Operaciones de administración:		
Operaciones de reporto por cuenta de clientes	54,475	39,537
Colaterales recibidos en garantía por cuenta de clientes	17	601
	54,492	40,138
Totales por cuenta de terceros	$ 1,918,638	$ 2,660,863

Activo	**2018**	**2017**
Disponibilidades	$ 2	$ 2
Inversiones en valores:		
Títulos para negociar	8,354	5,922
Deudores por reporto	5	37
Cuentas por cobrar	8	4
Inmuebles, mobiliario y equipo, neto	18	19
Inversiones permanentes	1	1
Otros activos:		
Otros activos, cargos diferidos e intangibles	681	624
Total del activo	$ 9,069	$ 6,609

Operaciones por cuenta propia	**2018**	**2017**
Cuentas de registro propias:		
Operaciones efectuadas por cuenta propia	$ 2,742	$ 2,252
Colaterales recibidos:		
Deuda gubernamental	45,872	26,593
Otros títulos de deuda	8,658	9,229
	54,530	35,822
Colaterales recibidos, vendidos o entregados en garantía:		
Deuda gubernamental	45,872	26,593
Otros títulos de deuda	8,658	9,229
	54,530	35,822
Totales por cuenta propia	$ 111,802	$ 73,896

Pasivo y capital contable	2018	2017
Acreedores por reporto	$ 317	$ 3,693
Otras cuentas por pagar:		
Acreedores por liquidación de operaciones	5,297	27
Impuesto a la utilidad por pagar	146	95
Acreedores diversos y otras cuentas por pagar	97	91
	5,540	213
Impuesto a la utilidad diferido, neto	311	311
Total del pasivo	6,168	4,217
Capital contable:		
Capital contribuido:		
Capital social	1,608	1,608
Capital ganado:		
Reservas de capital	322	322
Resultado de ejercicios anteriores	462	131
Resultado neto	509	331
	1,293	784
Total del capital contable	2,901	2,392
Total del pasivo y capital contable	$ 9,069	$ 6,609

"El capital social histórico de la Casa de Bolsa al 31 de diciembre de 2018 y 2017, asciende a $1,197".

"Los presentes balances generales se formularon de conformidad con los criterios contables para Casas de Bolsa, emitidos por la Comisión Nacional Bancaria y de Valores, con fundamento en lo dispuesto por los artículos 205 último párrafo 210, segundo párrafo y 211 de la Ley del Mercado de Valores, de observancia general y obligatoria, aplicados de manera consistente, encontrándose reflejadas las operaciones efectuadas por la Casa de Bolsa hasta las fechas antes mencionadas, las cuales se realizaron y valuaron con apego a sanas prácticas bursátiles y a las disposiciones legales y administrativas aplicables".

"Los presentes balances generales fueron aprobados por el Consejo de Administración, bajo la responsabilidad de los directivos que los suscriben".

José Antonio Ponce Hernández	Raúl Reynal Peña	Federico Loaiza Montaño	Alejandro Santillán Estrada
Director General	Director de Administración y Finanzas	Director de Auditoría Interna	Subdirector de Control Interno

Inversora Bursátil, S.A. de C.V., Casa de Bolsa,

Estados de resultados

Por los años que terminaron al 31 de diciembre de 2018 y 2017
(En millones de pesos)

	2018	2017
Comisiones y tarifas cobradas	$ 657	$ 543
Comisiones y tarifas pagadas	(81)	(76)
Resultado por servicios	576	467
(Pérdida) Utilidad por compra venta	(163)	350
Ingresos por intereses	4,062	3,199
Gastos por intereses	(3,483)	(3,218)
Resultado por valuación a valor razonable	(9)	(95)
Margen financiero por intermediación	407	236
Otros ingresos (egresos) de la operación	17	5
Gastos de administración	(331)	(305)
	(314)	(300)
Resultado antes de impuesto a la utilidad	669	403
Impuesto a la utilidad causado	160	98
Impuesto a la utilidad diferido	-	(26)
	160	72
Resultado neto	$ 509	$ 331

"Los presentes estados de resultados se formularon de conformidad con los criterios contable para Casas de Bolsa, emitidos por la Comisión Nacional Bancaria y de Valores con fundamento en lo dispuesto por los artículos 205 último párrafo 210, segundo párrafo y 211 de la Ley del Mercado de Valores, de observancia general y obligatoria, aplicados de manera consistente, encontrándose reflejados todos los ingresos y egresos derivados de las operaciones efectuadas por la Casa de Bolsa durante los periodos antes mencionados, las cuales se realizaron y valuaron con apego a sanas prácticas bursátiles y a las disposiciones legales y administrativas aplicables".

"Los presentes estados de resultados fueron aprobados por el Consejo de Administración, bajo la responsabilidad de los directivos que los suscriben".

José Antonio Ponce Hernández	Raúl Reynal Peña	Federico Loaiza Montaño	Alejandro Santillán Estrada
Director General	Director de Administración y Finanzas	Director de Auditoría Interna	Subdirector de Control Interno

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