Annual Report
2017

INBURSA
Grupo Financiero

Mission:

A Financial Group committed to working for Mexico, and consisting of the best human capital, created to watch over and grow as efficiently as possible our customers' and partners' resources.

Vision:

To be leaders in Mexico's growing financial sector with profitability for our customers, collaborators and partners.

Values:

- Commitment to Mexico
- Long-term vision
- Comprehensive staff development
- Integrity
- Austerity
- Innovation

Key Capacities:

- Operating Efficiency.
- Customer & Service oriented.
- Lean structure with good communication and clear leadership.
- Focused on results.
- Wise selection of risks.

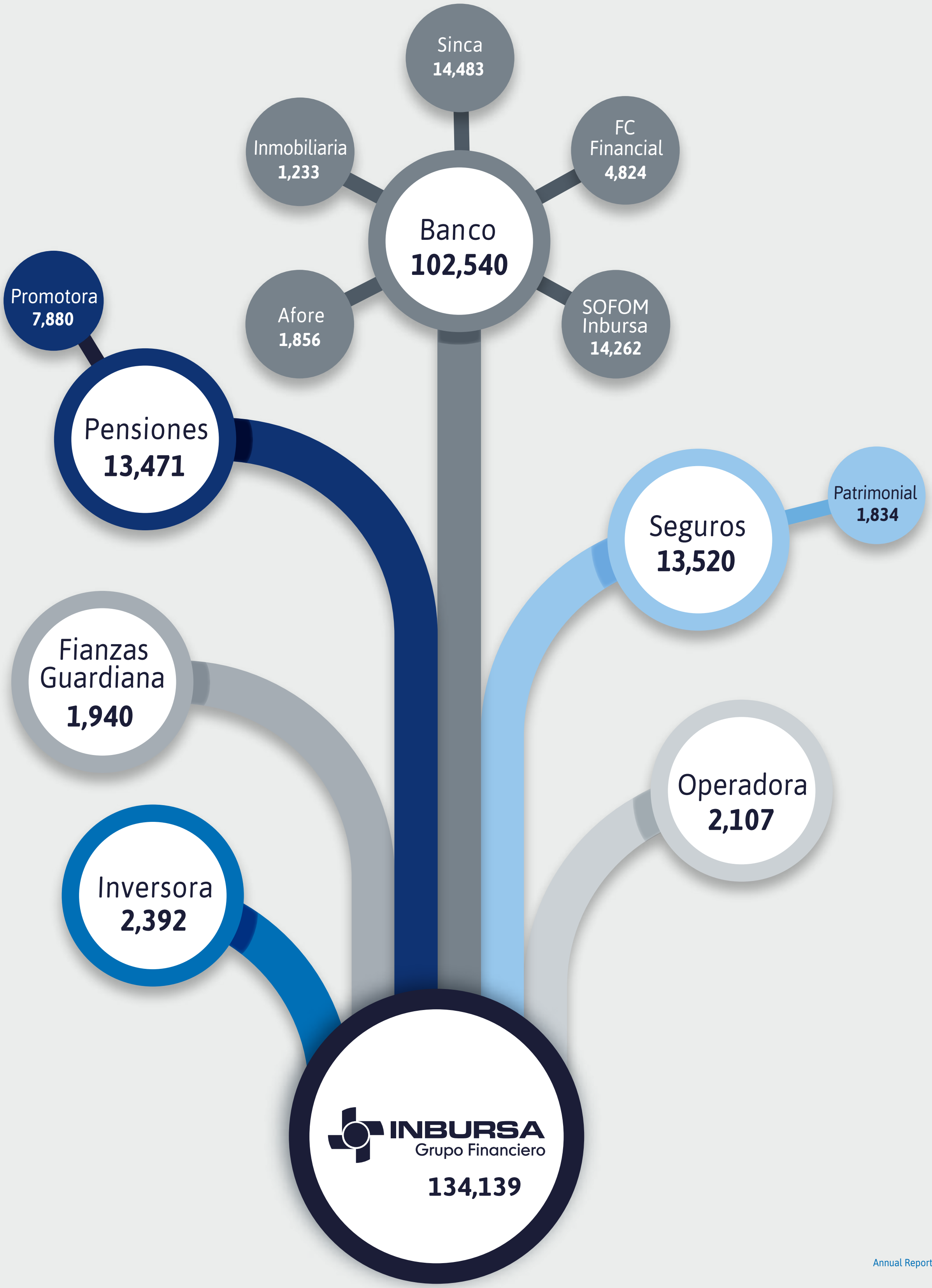
Annual Report
Content

Émile-Antoine Bourdelle
(Montauban, Midi-Pyrenees, France, 1861 -Vésinet, Île de France, France, 1929)

Bareback Horse [study for the sculptural group Monument to general *Carlos María de Alvear (1789-1852*), in Buenos Aires, Argentina]
Bareback Horse
Conception: 1915
Foundry by Valsuani
Bronze with brown and green patina
43.2 x 16.4 x 36.3 cm.
Richard Aurili
(Naples, Campania, Italy, 1834-1914)

Stockholders´Equity

Million pesos

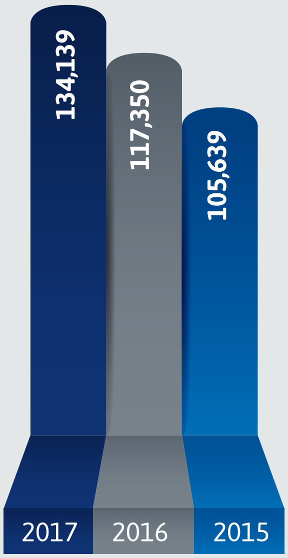


Relevant Figures

Million pesos

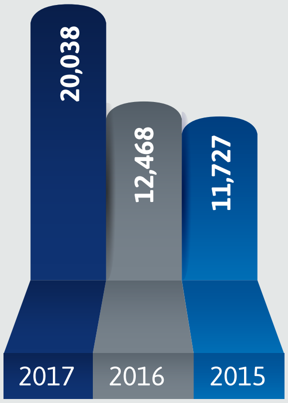
Stockholders' Equity

Million pesos



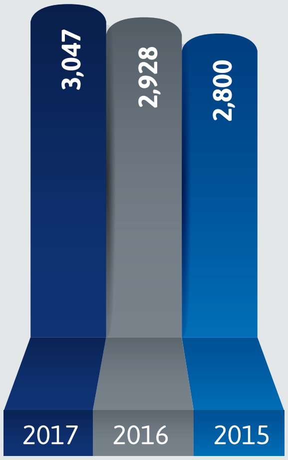
Net Profit

Million pesos



Dividends

Million pesos



Financial Information GFI

Million pesos

Net Results	2015	2016	2017	% var 2017 vs. 2016	2015
Grupo Financiero Inbursa	**11,783**	**12,468**	**20,038**	**60.7%**	**70.1%**
Banco Inbursa	9,890	7,745	13,964	80.3%	41.2%
Inversora Bursátil	291	399	331	-17.0%	13.7%
Operadora Inbursa	241	336	730	117.3%	202.9%
Seguros Inbursa	411	2,312	2,975	28.7%	623.8%
Pensiones Inbursa	588	864	2,467	185.5%	319.6%
Fianzas Guardiana	355	1,028	527	-48.7%	48.5%

Assets	2015	2016	2017	% var 2017 vs. 2016	2015
Grupo Financiero Inbursa	**439,241**	**530,348**	**517,675**	**-2.4%**	**17.9%**
Banco Inbursa	327,064	411,961	410,343	-0.4%	25.5%
Inversora Bursátil	9,202	14,116	6,609	-53.2%	-28.2%
Operadora Inbursa	1,636	1,844	2,310	25.3%	41.2%
Seguros Inbursa	83,639	88,026	72,024	-18.2%	-13.9%
Pensiones Inbursa	26,563	27,002	30,103	11.5%	13.3%
Fianzas Guardiana	4,067	3,513	3,585	2.0%	-11.9%

Stockholders´Equity	2015	2016	2017	% var 2017 vs. 2016	2015
Grupo Financiero Inbursa	**105,639**	**117,350**	**134,139**	**14.3%**	**27.0%**
Banco Inbursa	82,359	90,239	102,540	13.6%	24.5%
Inversora Bursátil	2,343	2,372	2,392	0.8%	2.1%
Operadora Inbursa	1,471	1,652	2,107	27.5%	43.2%
Seguros Inbursa	8,971	11,675	13,520	15.8%	50.7%
Pensiones Inbursa	10,477	11,052	13,471	21.9%	28.6%
Fianzas Guardiana	1,517	1,727	1,940	12.3%	27.9%

Dividends Paid	2015	2016	2016	% var 2017 vs. 2016	2015
Grupo Financiero Inbursa	**2,800**	**2,928**	**3,047**	**4.1%**	**8.8%**

Infrastructure

	2015	2016	2017
Employees	9,554	10,465	11,441
ATMs (Inbursa and alliances)	3,348	5,007	4,685
Branches	543	901	908
Salesforce	19,735	29,492	30,908

Indicators

	2015	2016	2017
Credit Portfolio / Total Asset (Bank)	72.6%	68.8%	70.6%
Past Due Portfolio / Credit Portfolio (Bank)	3.1%	2.8%	3.0%
Preventive Reserves / Past Due Portfolio (Bank)	1.5	1.5	1.4

Shareholders´Report

Economic Environment

During 2017 the world financial environment was less volatile than the year before, although there were moments of uncertainty such as the renegotiation of the North American Free Trade Agreement, inflation and interest rates in the United States and Mexico.

The north American economy grew 2.3% during 2017, boosted by a 6.7% increase in consumption of durable goods, thanks to growth in real salaries and low unemployment levels, as well as private investment which increased 3.2%. The Federal Reserve continued with the stabilization of its monetary policy by raising its rate 75 base points during 2017, the close of the reference rate at 1.50% and anticipating that the strength of the US internal economy and its fiscal reform curb inflation.

In Mexico, growth of the Gross Domestic Product was 2%, slightly below 2016. Primary activities and services managed to counteract the marginal decrease in industrial activities – mainly as a result of lower oil production. A 3.8% growth in formal employment and 7.5% in remittances in pesos favoured growth in internal consumption of more than 3%. Inflation was 6.8% throughout the year due to the rise in the price of petrol and gas, as well as food.

In 2017, the peso revalued 5.2% against the dollar, closing at $19.70; at the beginning of the year it reached a maximum of $22.00.

The trade deficit reduced thanks to the boost in exports to the United States, which increased 8.1% and compensated for the increase in the oil deficit which reached 18,402 million dollars in 2017. For its part, Banco de México continued with its restrictive monetary policy to control inflation, increasing five times the reference rate during 2017 from 5.75 to 7.25 percent.

The manufacturing platform, fundamental to our exports, expected investment in the coming years in the energy sector, infrastructure and the expectation of a reasonable renegotiation of NAFTA, strengthen the country in the face of the upcoming internal and external challenges; however, all this can be affected by political uncertainty.

Grupo Financiero Inbursa

GFInbursa at the close of 2017 posted profits of 20,030 million pesos, compared with 12,468 million pesos, compared with 12,468 million pesos at the close of 2016. This as a result mainly of solid performance at the different constituent subsidiaries, higher income on financial margin, on commission charged and on the result on intermediation mainly on capital gains on its GMéxico Transportes investment, partially compensated trough greater costs on the credit reserves, increase in management and promotion costs as a result of the growth in the retail portfolio and opening of new branches.

Total equity was 134,139 million pesos, that is, an increase of 14.3% when compared to the same period the year before. It is worth mentioning the payment of dividends of 3,047 million pesos in May, as well as the re-purchase of shares for 856 million pesos, adjusted for the effect of these, total equity growth would have been 17.6%.

GFInbursa expanded in the past two years the infrastructure of its subsidiaries to reach 908 offices to support and complement the commercial work of 30,908 financial advisors who make up our salesforce.

As far as operating efficiency (management costs over financial margin) is concerned, according to data published to December 31 2017 by the Comisión Nacional Bancaria y de Valores, we held the first place among the main financial groups with a 34.4%, due to lower operating costs against income received. The system average was 49.3% at the close of September 2017.

The total credit portfolio was 289,478 million pesos, increasing the retail credit business to 73,027 million pesos which represents 25.2% of the total portfolio.

In the retail credit business, credit relating to car finance had a balance of 30,079 million pesos, 12.2% more when compared to the 26,811 million pesos at the close of 2016. The acquisition in June 2015 of Banco Wal-Mart de México and its subsequent merger with Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa ("Banco Inbursa") (which came into effect in September of the same year), and implied a long-term commercial alliance, has allowed the development and drive of a joint placement of financial services including the service of banking correspondent so Inbursa customers can make deposits, withdrawals and payments at the different Walmart store formats. Growth of the credit card portfolio grew 8.7% from 14,606 million pesos in 2016 to 15,880 million pesos in 2017.

Through the office network we capture sight and term deposits from the general public, closing the year with a balance of 130,139 million pesos which represent 48.7% of collections. Furthermore, as part of our funding strategy, we have gradually replaced part of our short term deposits with retail deposits and issues of stock certificates with a longer term, contributing to greater funding stability. The rating of each issue is 'mxAAA' from Standard&Poors and 'HR+1' from HR Ratings.

In September 2017, subject to authorization by the Comisión Nacional de Seguros y Fianzas, Pensiones Inbursa – a subsidiary of GFInbursa – 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; at the time of writing this report, the corresponding authorization is being processed.

It is worth mentioning the 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 4,650 million pesos after commissions and taxes.

Grupo Financiero Inbursa has over 52 years' experience giving results, with high likelihood of seizing opportunities for growth be it through the potential of greater market penetration or a strong determination to contribute towards 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	
Juan Antonio Pérez Simón	
Héctor Slim Seade	

Independent Directors

Antonio Cosío Pando
Laura Diez Barroso Azcárraga
Agustín Franco Hernaiz
Guillermo Gutiérrez Saldivar
David Ibarra Muñoz

Principal Inbursa Officers

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

Guillermo Gutiérrez Saldívar
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.
Vicepresident of the Board

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

Chief Executive Officers GFI

		Joined
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
Fianzas Guardiana Inbursa	Alfredo Ortega Arellano	1991
Pensiones Inbursa	Guillermo René Caballero Padilla	1994
Afore Inbursa	José Ignacio Jiménez Santos	2006

Banco

Banco Inbursa posted profits of 13,964 million pesos at the close of December 2017 compared with 7,745 million pesos at the close of December 2016. The financial margin increased 22.5% as a consequence of growth in interest charged going from 22,718 million pesos at the close of December 2016 to 28,367 million pesos at the close of 2017; that is 24.9%more. Similarly, commissions and tariffs charged represented income of 6,219 million pesos at the close of 2017 which is compared with 5,450 million pesos in the in the same period the year before.

The result comes alongside greater credit reserves, growth of 13.3% in management and promotion costs as a result of growth in the retail portfolio and opening of new offices and lower benefits in other revenue streams of the operation, at 480 million pesos in 2017 which contrasts with 1,107 million pesos in 2016.

The overall credit portfolio was 289,478 million pesos increasing our participation in the consumer credit. Mortgage and Small and Medium Enterprise business, now at 73,027 million pesos, which represents 25.2% of the total portfolio.

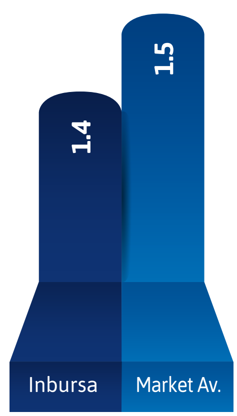
The estimate for preventive risk credit was 11,746 million pesos. On aggregate, this amounts to a hedging of 1.4x delinquency and 4.1% of the total credit portfolio.

Delinquency represented 3.1% of the total portfolio; it is, for the most part, secured with assets whose current value is greater than the amount of credit.

During the past 2 years Banco Inbursa saw growth in its infrastructure reaching 908 offices to support and complement the commercial work of 30 thousand 908 financial advisors which comprise our salesforce.

Preventive Reserves / Total Portfolio

Hedging



In the retail credit business, credits relating to the car finance business registered a balance of 30,079 million pesos, 12.2% more if compared with 26,811 million pesos at the close of 2016. 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 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 8.7% going from 14,606 million pesos in 2016 to 15,880 million pesos in 2017.

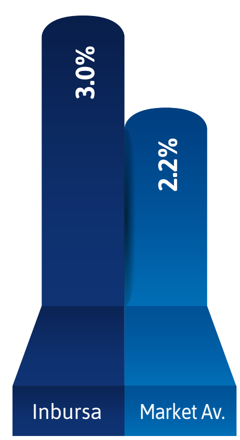
Through the office network we captured sight deposits from the general public closing the year with a balance of 130,139 million pesos which represent 48.7% of deposits. Additionally, within our funding strategy we have gradually replaced part of our short term deposits with retail deposits and with 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'.

In April 2017 Banco Inbursa, seeking to make the funding strategy more efficient, issued on the international market a bank bond for 750 million dollars (the legal tender in the United States of America), for a 10-year term and fixed rate of 4.3750 percent.

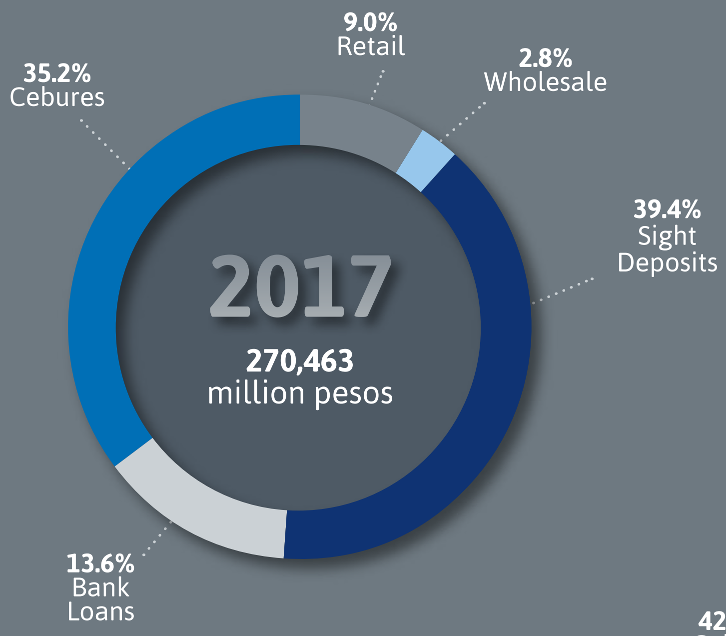
It is worth mentioning the market emission of the GMéxico Transportes, S.A.B. de C.V. stock held by Sinca Inbursa; before the public offering, Sinca Inbursa, S.A de C.V., Fondo de Inversión de Capitales, subsidiary of banco Inbursa, had an 8.25% participation and revenues of approximately 4,650 million pesos after commissions and taxes.

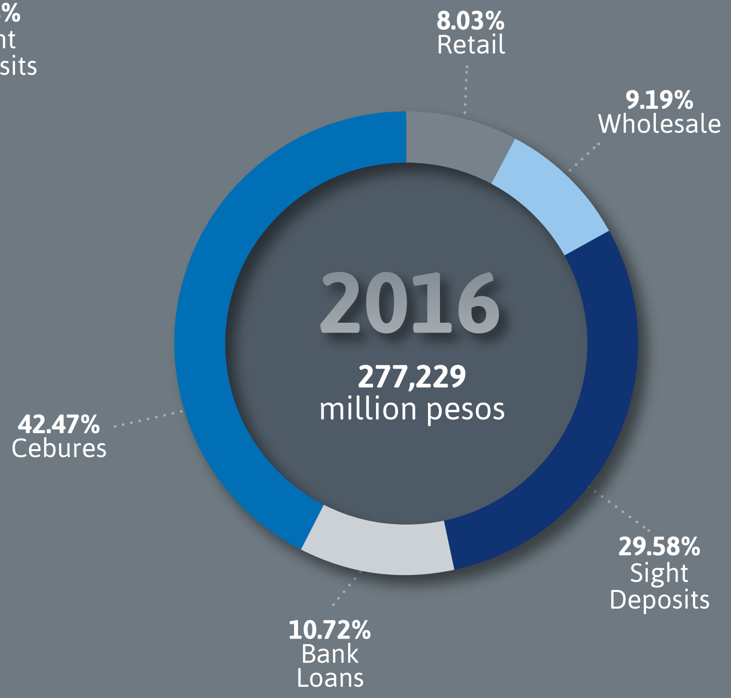
Banco Inbursa remains one of the best reserved and capitalized banks in Mexico, with a capitalization index of 18.32%, which compares favourably with that of the market average. This indicator shows, apart from financial robustness, the capability Banco Inbursa has to continue participating prudently in the credit market.

Delinquency Index



Revenue Streams






8.07%
Retail
0.02%
Wholesale
51.60%
Cebures
2015
212,791
million pesos
36.14%
Sight
Deposits
4.17%
Bank
Loans

Afore

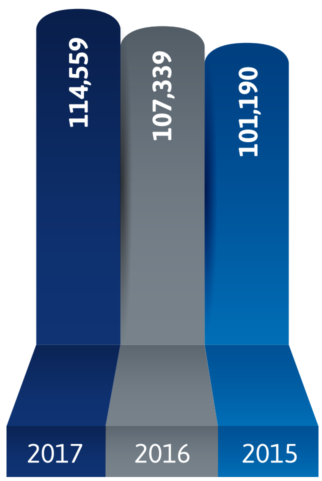
Afore Inbursa reached earnings of 1,082 million pesos from commissions during 2017, similar to the level the year before with an increase in managed assets from 107,339 million pesos in 2016 to 114,559 million pesos in 2017 and a 3.7 market share.

Market share in terms of members was 2.2% in 2017, closing the year with 1,073,821 customers. The number of active members at the end of 2017 was 439 thousand 659, which represents a market share of 2.5 percent.

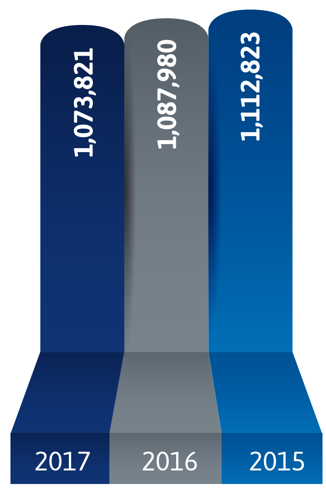
Net profit for Afore Inbursa at the close of 2017 was 515 million pesos which represents an increase of 2.3% from that registered in 2016, when it was 503 million pesos. This result is a consequence of higher earnings for commissions charged, partially compensated by an increase in management costs, going from 276 million pesos in 2016 to 329 million pesos in 2017.

Stockholders' equity was 1,856 million pesos at the close of 2017 compared with 1,692 million pesos at the close of 2016 which represents an increase of 9.7%. During 2017 dividends were paid worth 350 million pesos; adjusting for the effect of these, the increase in stockholders' equity would have been 30 per cent.

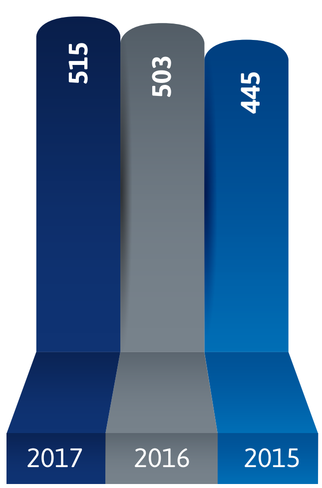
Managed Assets
Million pesos



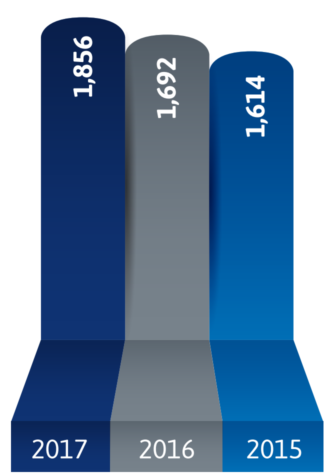
Members



Net Profit
Million pesos



Stockholders´Equity
Million pesos



Operadora

Fondo Inbursa, S.A de C.V., Sociedad de Inversión de Renta Variable (INBURSA) posted to December 31 2017 assets worth 16,202 million pesos and presents an average compound annual yield in US dollars of 16.05% for the period between March 31 1981 and December 31 2017. The IBUPLUS, S.A. de C.V, Sociedad de Inversión de Renta Variable (IBUPLUS) and Fondo Dinámico de Inversiones Bursátiles, S.A. de C.V., Sociedad de Inversión de Renta Variable (FONIBUR) funds show portfolios at the end of year of 36,952 million pesos and 18,325 million pesos, respectively.

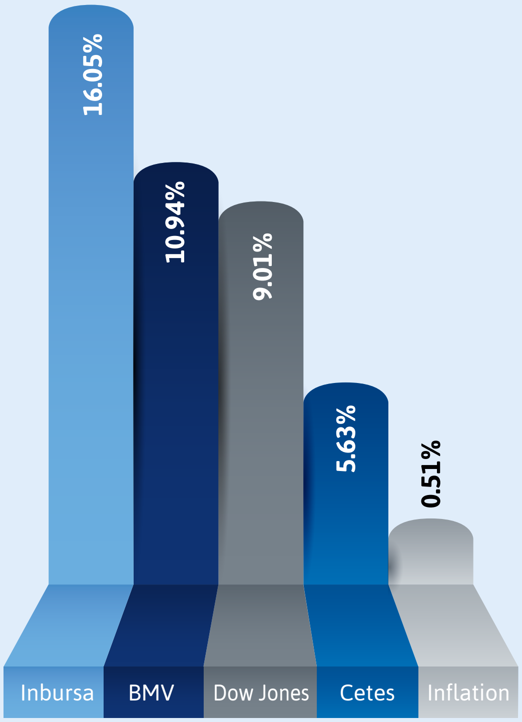
As far as performance of mutual funds in debt instruments is concerned, Inburex, S.A de C.V., Sociedad de Inversión en Instrumentos de Deuda para Personas Morales (INBUREX), had an annual yield of 3.54% closing 2017 with assets worth 15,493 million pesos. Fondo de Dinero Inbursa, S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda (DINBUR1) had an annual yield of 5.54% and assets worth 4,020 million pesos. Likewise, Inbumax, S.A. de C.V., Sociedad de Inversión en Instrumentos de Deuda (INBUMAX) had an annual yield of 6.24% and a portfolio worth $26,615 million pesos.

INBUMEX closed 2017 with assets of 299 million pesos.

In 2017 Operadora Inbursa posted profits totalling 730 million pesos which compares with the 336 million pesos obtained in 2016, which represents an increase of 117.2 percent.

Stockholders' equity was 2,107 million pesos compared to 1,652 million pesos from 2016. It is worth noting the payment of dividends for 275 million pesos during 2016. Adjusting for this effect, the increase during the year of stockholders' equity would have been 44.2 percent.

Average Compound Annual Yield in US Dollars from March 31st 1981 to December 31st 2017.



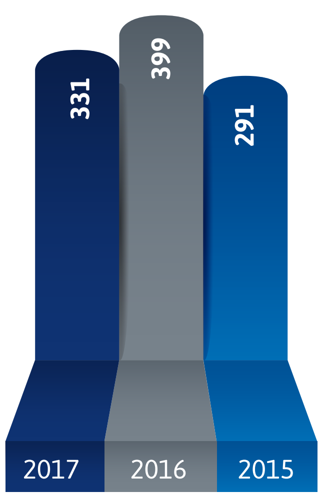
Inversora

During 2017, Inversora posted profits worth 331 million pesos, compared with 399 million pesos at the close of 2016; representing a decrease of 17%. This result is explained by losses of 95 million pesos in 2017 as a result by valuation, which compares with earnings of 227 million pesos in 2016. Furthermore, income from commissions tariffs charged was also lower.

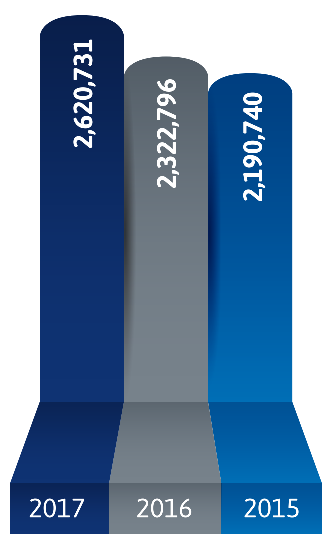
Similarly, during 2017 managed assets totalled 2,620,731 million pesos.

Inversora's stockholders' equity grew by 0.8% in 2017, to reach 2,392 million pesos compared to the 2,372 million pesos in the previous year. It is worth noting the payment of dividends worth 311 million pesos in 2017. Adjusting for this effect, the increase in stockholders' equity would have been 13.9 percent.

Net Profit
Million pesos



Managed Assets
Million pesos



Seguros

During 2017, total Seguros Inbursa premiums were 20,909 million pesos, which represented a 3.3% increase when compared with the year before which was 20,240 million pesos. It is worth mentioning that retention premiums which grew by 4.1% from 15,894 million pesos in 2016 to 16,540 million pesos in 2017.

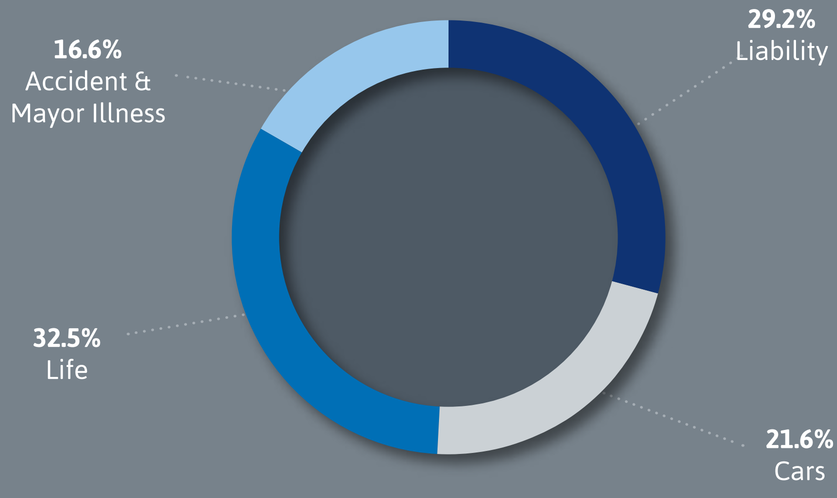
Seguros Inbursa posted profits for 2,975 million pesos at the close of 2017, which represents a 28.6% increase when compared with 2,312 million pesos in 2016. The result is explained mainly by a 35.5% increase in profits from accrued retention premiums and lower acquisition expenses which are partially compensated by an increase in the cost of accident rates going from 8,552 million pesos in 2016 to 10,069 in 2017. It is important to note that at the beginning of 2016, Mexican insurance companies had to adjust their financial statements in order to implement Solvencia II.

Investments in the insurance business continued increasing, going from 43,294 million pesos in 2016 to 45,198 million pesos in 2017; a 4.4% increase.

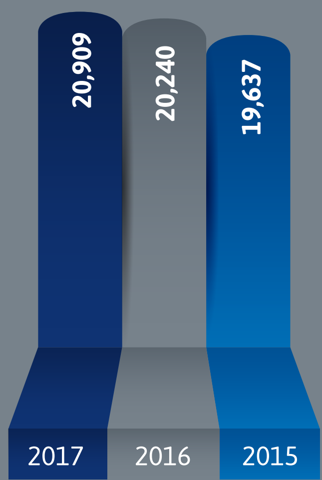
Stockholders' equity was 13,520 million pesos which compares to 11,675 million pesos in 2016. It is important to mention the payment of dividends for 739 million pesos during 2017. Adjusting for the effect of this, the increase in stockholders' equity in 2017 would have been 22.1 percent.

In 2017 the combined indicator was 95.5%; this is taken to be operating, acquisition and accident rate costs in relation to the retained premiums.

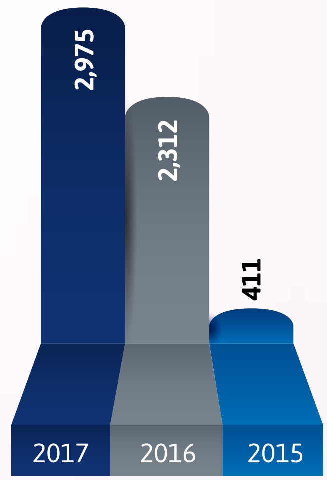
Premiums by Business Line



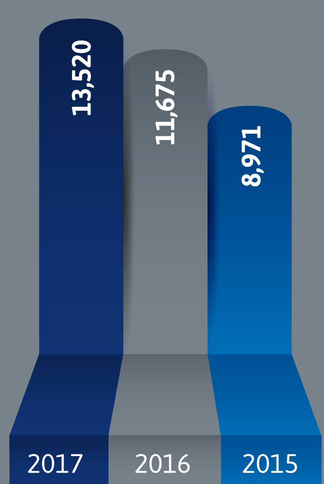
Total Premiums
Million pesos



Net Profit
Million pesos

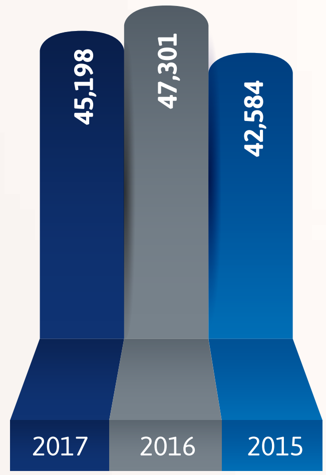


Stockholders´Equity
Million pesos



Investments

Million pesos



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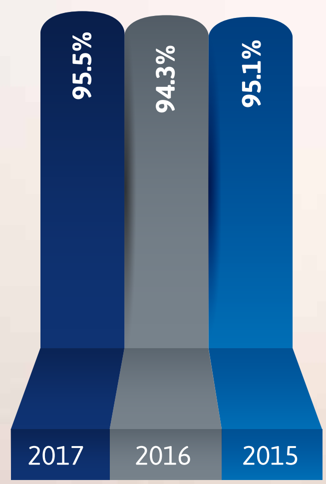


Pensiones

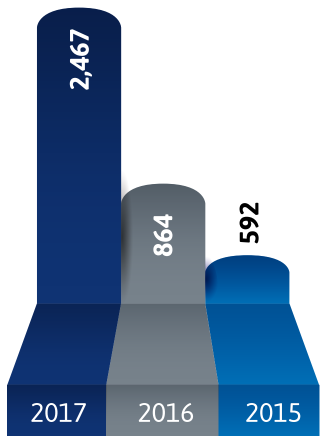
By the close of 2017, Pensiones Inbursa reported profits amounting to 2,466 million pesos compared to 864 million pesos the year before. The result is explained by higher revenue from the overall financing result, mainly through the sale of investments going from 56 million pesos in 2016 to 1,875 million pesos in 2017.

Investments in the pension business went from 21,187 million pesos in 2016 to 25,573 million pesos in 2017.

Stockholder equity for Pensiones Inbursa rose to 13,471 million pesos at the close of the 2017 fiscal exercise, 21.9% higher if compared to the close of 2016.

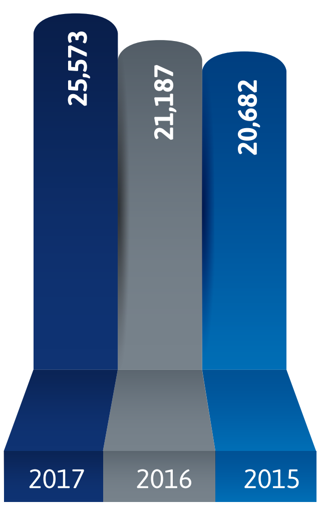
Net Profit

Million pesos



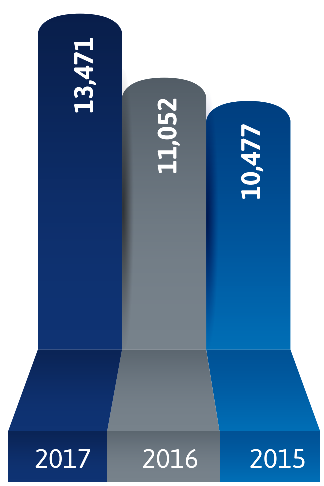
Investments

Million pesos



Stockholders´Equity

Million pesos



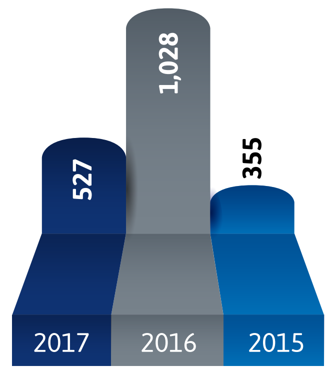
Fianzas

At the close of the fiscal year ending December 31st 2017, Fianzas Guardiana Inbursa posted premiums of 1,889 million pesos – representing an increase of 7.3% when compared with the 1,761 million pesos at the close of the previous year.

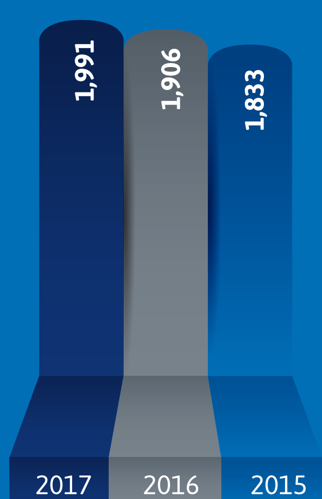
Net profit was 527 million pesos compared with 1,028 million pesos the year before, which represents a decrease of 48.6%. This result is explained by the reserves in excess of 800 million pesos that were liberated as a consequence of implementing Solvencia II.

Stockholders' equity was 1,940 million pesos, which represents an increase of 12.3% when compared with the close of 2016 which was 1,727 million pesos. It is worth mentioning that a payment was made for dividends worth 800 million pesos in 2017. Adjusting for this effect, stockholders' equity would have been 58.6 percent.

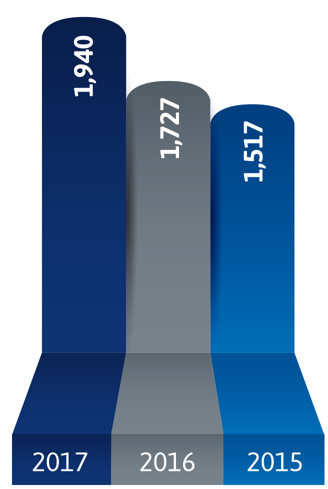
Net Profit
Million pesos



Total Premiums
Million pesos



Stockholders´Equity
Million pesos



que emite el auditor externo independiente suscrito por el C.P.C. Rony Emmanuel Garcia Dorantes del despacho Galaz, Yamazaki, Ruiz Urquiza, S.C. (miembro de Deloitte Touche Tohmatsu Limited), en alcance a los estados financieros consolidados del GFinbursa y sus subsidiarias, el cual, ha dado su opinión favorable, indicando que no se han identificado observaciones y/o sugerencias de control interno contable relevantes que informar.

De lo anterior, se concluye que no existen deficiencias o desviaciones relevantes que reportar en adición a aquellas que en su oportunidad se hubieren hecho del conocimiento a este H. Consejo de Administración.

c. En su sesión de abril de 2017, este H. Consejo de Administración ratificó la designación de la firma Galaz, Yamazaki, Ruiz Urquiza, S.C. (miembro de Deloitte Touche Tohmatsu Limited) como auditor contable externo del GFinbursa y sus subsidiarias, para realizar la auditoría a los estados financieros al cierre del ejercicio social 2017, quien cumple con los requisitos necesarios para el desempeño de sus funciones, valorándolos como satisfactorios para dictaminar los estados financieros de la sociedad, así como para proporcionar los servicios adicionales que, en su caso, se requieran.

   Se designó al C.P.C. Rony Garcia Dorantes para dictaminar dichos estados financieros, por su amplia experiencia y la capacidad demostrada en el desarrollo de sus revisiones anteriores.

d. En el periodo comprendido, se informó de los servicios adicionales realizados por el despacho Galaz, Yamazaki, Ruiz Urquiza, S.C. (miembro de Deloitte Touche Tohmatsu Limited) consistentes en:

   Validación de CFDI’s emitidos y recibidos vs Listas Negras del SAT y Validación de Timbrado de CFDI’s de Nómina.

   Se encuentra en elaboración el Estudio de Precios de Transferencia correspondiente a 2017. Este estudio incluye las principales operaciones propias de cada entidad financiera realizadas con las personas relacionadas en el GFinbursa y sus subsidiarias en comparación a las realizadas con empresas externas.

   Otro servicio adicional contratado fue el referente al dictamen de Control Interno Contable.

   Tales servicios adicionales no constituyen, en forma alguna, cambios a los estados financieros básicos consolidados, por lo que la prestación de éstos no afecta la independencia del auditor.
   De igual forma los servicios descritos no se ubican en alguno de los supuestos contenidos en el artículo 189 fracción VIl de las Disposiciones de carácter general aplicables a las instituciones de crédito, publicadas en el Diario Oficial de la Federación el 2 de diciembre de 2005 y reformadas mediante diversas resoluciones, situación que tampoco afecta la independencia de Deloitte como auditor externo independiente. Así también, la remuneración por los servicios descritos no es relevante en relación al pago por los servicios de auditoría.

e. A la fecha del presente informe, se recibieron los estados financieros consolidados dictaminados por el Auditor Externo para GFI, Banco lnbursa, Inversora Bursátil, Sofom lnbursa, FC Financial, en los que, la opinión general, es que se prepararon con todos los aspectos materiales, de conformidad con los criterios contables establecidos por la Comisión a través de las Disposiciones, cabe señalar que de Seguros lnbursa, Patrimonial lnbursa, Pensiones lnbursa y Fianzas lnbursa se encuentran en proceso de formulación. El área de Control Interno en coordinación con la Administración y demás áreas involucradas realizaron las gestiones pertinentes para la entrega de información, el área de Auditoría Interna revisó el contenido y suficiencia de las notas a los Estados Financieros del ejercicio 2017.

f. Durante el 2017 se presentaron modificaciones a las políticas contables del GFinbursa y sus subsidiarias las cuales se incluyen en las Disposiciones de carácter general aplicables los almacenes generales de depósito, Casa de Cambio, Uniones de Crédito y Sociedades Financieras de Objeto Múltiple Reguladas, Disposiciones de Carácter General Aplicables a las Instituciones de Crédito, y Circular Única de Seguros y Fianzas, así como en los oficios generales y particulares que ha emitido para tal efecto, las cuales requieren que la Administración del GFinbursa y sus subsidiarias efectúe ciertas estimaciones y utilice ciertos supuestos, para determinar la valuación de algunas de las partidas incluidas en los estados financieros y para efectuar las revelaciones que se requieren presentar en los mismos.

A partir del 1 de enero de 2017, el Grupo Financiero adoptó los siguientes Normas y Mejoras a las Normas de Información Financiera 2017:

Mejoras o los NIF 2017

Algunos de los principales cambios que establecen estas normas, son:

NIF B-7, Adquisiciones de negocios
NIF B-13, Hechos posteriores a lo fecha de los estados financieros
NIF B-6, Estado de situación financiera y,
NIF C-19, Instrumentos financieros por pagar.
NIF C-6, Propiedades, planta y equipo
NIF C-11. Capital contable

A la fecha de emisión de estos estados financieros, el Grupo Financiero no tuvo efectos importantes derivados de lo adopción de estos nuevas normas en su información financiera.

Cambios en políticas contables:

Cambios en la Metodología para la determinación de la Estimación Preventiva para Riesgos Crediticios aplicables a la Cartera de consumo no revolvente, hipotecaria de vivienda y microcréditos, emitidos por la Comisión aplicables en 2017

Nuevos pronunciamientos contables

NIF emitidas por el CINIF aplicables al Grupo Financiero

Al 31 de diciembre de 2017, el CINIF ha promulgado las siguientes NIF y Mejoras a los NIF que pudiesen tener un impacto en los estados financieros consolidados de la:

Mejoras o las NIF 2018- Se emitieron las siguientes mejoras con vigor o partir del 1 de enero de 2018, que generan cambios contables:

NIF B-2, Estado de flujos de efectivo
NIF B-10, Efectos de la inflación
NIF C-6, Propiedades, planta y equipo y NIF C-8, Activos intangibles

Se han emitido las siguientes NIF con entrada en vigor a partir del1 de enero de 2018:

NIF B-17, Determinación del valor razonable
NIF C-3, Cuentos por cobrar
NIF C-9, Provisiones, contingencias y compromisos
NIF D-1, Ingresos por contratos con clientes

Con entrada en vigor a partir del 1 de enero de 2019:

NIF B-17, Determinación del valor razonable
NIF C-3, Cuentas por cobrar
NIF C-9, Provisiones, contingencias y compromisos
NIF D-1, Ingresos por contratos con clientes
NIF D-5, Arrendamientos

g. Durante el ejercicio no existieron observaciones consideradas como relevantes derivadas de la información que ha sido de nuestro conocimiento a través de accionistas, consejeros, directivos, empleados y en general de cualquier tercero en lo que respecta a lo contabilidad, controles internos y temas relacionados con lo auditoria interna o externa, así corno de las irregularidades que llegaron a reportarse.

   Cabe señalar que, el área de auditoría interna, vigila el seguimiento e implementación de todo tipo de medidas necesarias, contribuyendo así al fortalecimiento del control interno del GFinbursa y sus subsidiarias.

h. Se dio seguimiento a los acuerdos de las asambleas de accionistas y del Consejo de Administración.

   Manifestamos lo anterior, con la finalidad de cumplir con las obligaciones a cargo de este órgano social, previstas en la Ley de Mercado de Valores y con cualquier otra función que nos ha sido o que nos sea encomendada por el Consejo de Administración de la Sociedad, haciendo notar que para la elaboración del mismo se escuchó a los directivos relevantes de la Sociedad.

Atentamente,

David Antonio Ibarra Muñoz
Comité de Auditoría

Informe del Comité de Prácticas Societarias

H. Consejo de Administración
Grupo Financiero Inbursa, S.A.B. de C.V.

Abril, 2018.

En términos de la fracción l del artículo 43 de la Ley del Mercado de Valores y en cumplimiento a las recomendaciones contenidas en el Código de Mejores Prácticas Corporativas, en nombre del Comité de Prácticas Societarias de Grupo Financiero Inbursa, S.A.B. de C.V. (la “Sociedad” o “GFInbursa”), se informa sobre las actividades realizadas por este órgano social en el desempeño de sus funciones durante el ejercicio social concluido el 31 de diciembre de 2017.

Entre las responsabilidades fundamentales de la Administración de la Sociedad se encuentran: (i) la adecuada administración de GFinbursa procurando la creación de valor en la Sociedad; (ii) la adecuada y oportuna revelación de información relevante de la Sociedad en términos de las disposiciones aplicables; (iii) la emisión de estados financieros elaborados con base en las disposiciones de contabilidad aplicables para agrupaciones financieras vigentes en México y de las normas de información financiera que resulten aplicables; y (iv) el establecimiento de procesos y procedimientos de operación, de control interno, de administración de riesgos y de auditoría interna adecuados para procurar la óptima operación de la Sociedad y de las personas morales que ésta controla. En dicho contexto, el Comité de Prácticas Societarias es un órgano auxiliar del Consejo de Administración para llevar a cabo la vigilancia de la gestión, conducción y ejecución de los negocios de la Sociedad y de las personas morales que ésta controla en apego a los intereses de la Sociedad y de las disposiciones aplicables.

En el desempeño de sus funciones, el Comité de Prácticas Societarias ha sesionado cuando menos de manera trimestral, solicitando a la Sociedad, a través de sus directivos relevantes, la presentación de aquella información que ha considerado necesaria o conveniente para el análisis de las materias a su cargo. Asimismo, el Comité de Prácticas Societarias ha conocido el contenido de los estados financieros consolidados de la Sociedad con cifras al 31 de diciembre de 2017 y la opinión del auditor externo de la Sociedad respecto de dicha información.

En cumplimiento de las principales funciones del Comité de Prácticas Societarias de GFinbursa, durante el ejercicio social concluido el 31 de diciembre de 2017, se llevaron a cabo las siguientes actividades:

a. En materia de finanzas y evaluación, se analizó el contenido de los estados financieros dictaminados de la Sociedad con cifras al 31 de diciembre de 2017, conjuntamente con la opinión del auditor externo de la Sociedad. De dicho análisis se ha considerado que los estados financieros reflejan de manera razonable y suficiente la información relevante de la Sociedad y su situación financiera.

b. Se ha analizado el desempeño de los directivos relevantes de la Sociedad en función a los informes periódicos presentados a este Comité y a los resultados obtenidos por la Sociedad que se reflejan en los estados financieros consolidados de la Sociedad con cifras al 31 de diciembre de 2017. Al respecto se ha concluido que el desempeño de los directivos relevantes de la Sociedad puede considerarse satisfactorio toda vez que: (i) la Sociedad y las personas morales que ésta controla han presentado resultados favorables que indican que la administración de la Sociedad ha procurado la creación de valor en beneficio de la misma; y (ii) no se han presentado desviaciones operativas relevantes que puedan generar perjuicios a la Sociedad, las personas morales que ésta controla o sus respectivos accionistas.

c. En materia de compensación y evaluación, la Sociedad ha informado periódicamente a este Comité sobre las diversas políticas de selección, contratación, capacitación y compensación a su personal, presentando las cifras estadísticas correspondientes. Esta evaluación ha comprendido también el análisis de las políticas de compensación y evaluación de la Sociedad en función al crecimiento en las operaciones y ventas de los diversos segmentos de negocio de las personas morales controladas por la Sociedad.

   Se han analizado los paquetes generales de remuneración para los funcionarios y empleados de la Sociedad y de las personas morales que ésta controla, verificando que las prestaciones sean establecidas de forma general dentro de los diferentes niveles de la organización.

e. La Sociedad y las personas morales que ésta controla únicamente realizaron operaciones con personas relacionadas dentro del giro ordinario de sus negocios, en condiciones de mercado y con apego a las disposiciones legales aplicables para cada uno de dichos intermediarios.

f. Conjuntamente con el Comité de Auditoría, se dio seguimiento al cumplimiento del Código de Ética aplicable a la Sociedad y de las personas morales que ésta controla, manifestando que no hay desviaciones que reportar en esta materia.

g. No se aprobó, ni se otorgó dispensa alguna a consejeros, directivos relevantes o personas con poder de mando, respecto de cualquiera de las operaciones a que se refiere los artículos 39 de la Ley para Regular las Agrupaciones Financieras y 28 de la Ley del Mercado de Valores.

h. Se verificó que los estatutos sociales y la operación de la Sociedad se ajustan a la Ley del Mercado de Valores vigente y demás normatividad aplicable.

i. Se ha mantenido una constante supervisión de la situación corporativa de la Sociedad para verificar que la misma se mantenga en apego a las disposiciones legales aplicables.

j. Se dio seguimiento a los acuerdos de las asambleas de accionistas y del Consejo de Administración.

De la realización de las actividades anteriores conjuntamente con la revisión a los estados financieros consolidados de la Sociedad al 31 de diciembre de 2017 y de la opinión del auditor externo de la Sociedad y considerando la información que ha sido proporcionada a este órgano social por la administración de la Sociedad, consideramos que la gestión, conducción y ejecución de los negocios de la Sociedad durante el ejercicio social de 2017, ha sido realizada de forma adecuada por la administración de la Sociedad.

Lo anterior con la finalidad de cumplir con las obligaciones a cargo de este órgano social previstas en la Ley de Mercado de Valores y con cualquier otra función encomendada por el Consejo de Administración de la Sociedad, haciendo notar que para la elaboración del presente informe se escuchó a los directivos relevantes de la Sociedad.

Atentamente.

David Antonio !barra Muñoz
Miembro del Comité de Prácticas Societarias
Grupo Financiero Inbursa, S.A.B. de C.V.

Financial Statements

Table of Contents

Board of Directors and Stockholders of Grupo Financiero Inbursa, S.A.B. de C.V.

Opinion

We have audited the accompanying 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, 2017 and 2016, 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, and a summary of the significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Financial Group are prepared, in all material respects, in accordance with the accounting criteria established by the Mexican National Banking and Securities Commission (the Commission) as set forth in the General Provisions Applicable to Financial Groups, Credit Institutions, Brokerage Houses and Regulated Multiple Purpose Financial Companies (the accounting criteria or the Provisions).

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). 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 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 fulfilled our 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.

Key Audit Matters

The key audit matters are those matters which, in our professional judgment, have been of most significance in our audit of the consolidated financial statements for the period 2017. These matters have been addressed in the context of our audit of the consolidated financial statements taken as a whole and in the formation of our opinion thereon, and we do not express 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 derivative financial instruments (see Notes 3 and 10 to the consolidated financial statements)***

The valuation of derivative financial instruments of the Financial Group was considered as a key area of our audit, given the degree of complexity involved in the valuation of some of the financial derivatives and the emphasis of the judgments and estimates made by management.

In the accounting policies of the Financial Group (Note 3), management has described the principal sources of estimates involved in the determination of the valuation of the derivative financial instruments and in particular when fair value is established by using a valuation technique due to the complexity of the instrument or the unavailability of market-based data.

Our audit procedures to cover this significant caption focused on tests of the valuation adjustments, including those for inclusion of the collateral, in addition to tests of:

1. The design and implementation as well as the operating efficiency of the key controls in the processes of identification, management and supervision of the valuation risk of the derivative financial instruments of the Financial Group, including the controls over data sources, pricing confirmation and other inputs used in the valuation models.

2. The design, implementation and operating efficiency of the controls over the approval of the models or changes in existing models.

3. The analysis of the variables used in the models. This work included the calculation of the valuation as of September 30 and December 31, 2017 for a sample of the derivative financial instruments with the use of independent variables and in certain cases they resulted in valuations different from those calculated by the Financial Group, while noticing that the differences were within reasonable ranges.

4. The entry data as of December 31, 2017 for the valuation model and involved internal specialists from our valuation area to review the results of the model.

5. Their correct presentation as of December 31, 2017 and disclosure in the consolidated financial statements.

The results of our audit procedures were reasonable.

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

The Financial Group establishes the allowance for loan losses of its commercial credit portfolio based on the portfolio classification rules established in the General provisions applicable to credit institutions, issued by the Commission, which establish methodologies for evaluation and creation of reserves by type of credit. When classifying the commercial credit portfolio, the Financial Group considers the Probability of Default, Severity of Loss and Exposure to Default and also classifies the aforementioned commercial credit portfolio into different groups and establishes different variables for the estimate of the probability of default. It has been considered a key audit matter due to the importance of the completeness and accuracy of the information used in the identification and updating of the risk parameters in the determination of the calculation.

Our audit procedures to cover this key audit matter included:

1. Tests of the design, implementation and operating efficiency of the relevant controls, focusing on review-type controls, for the classification of the commercial credit portfolio into different groups and the review of the variables to the estimate the probability of default.

2. Tests of the design, implementation and operating efficiency of the controls, of the determination of the credit rating and/or score determined, based on the quantitative factors related to the financial information of the borrower, credit bureau information and qualitative factors related to their environment, behavior and performance.

3. Of a sample of credits as of September 30 and December 31, 2017, we validated the estimate through an independent calculation exercise and a comparison of the results against those determined by the Financial Group, with the aim of evaluating any indicator of management error or bias, and identified that the results were within reasonable ranges.

The results of our audit procedures were reasonable.

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

The Financial Group's management is responsible for the other information. Such information will comprise the information that will be incorporated in the Annual Report that the Financial Group is obliged to prepare pursuant to Article 33 Fraction I, clause b) of Title Four, First Chapter of the "General Provisions Applicable to Issuers and Other Securities Market Participants" ("Stock Exchange Rules") in Mexico and the Instructions accompanying those rules (collectively, the "Regulations"). The Annual Report is expected to be available after the date of this audit report.

Our opinion on the consolidated financial statements will not cover the information that will be included in the Annual Report and we will 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, to consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or appears to contain a material error. When we read the Annual Report, we will issue the declarations 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 the Audit Committee of the Financial Group for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with the accounting criteria issued by the Commission as set forth in the Provisions, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

The Audit Committee is responsible for supervising the Financial Group's financial reporting process, reviewing the content of the consolidated financial statements and presenting them for approval by the Financial Group's Board of Directors.

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 ISAs 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 ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

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 the Financial Group's management.

Conclude on the appropriateness of management´s use of the going concern 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 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 and acceptable evidence in relation to 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 are exclusively responsible for our audit opinion.

We communicate to the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated to 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 to the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the 2017 period 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.

Other matter

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

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

C.P.C. Rony Emmanuel García Dorantes

February 28, 2018

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

Consolidated Balance Sheets

As of December 31, 2017 and 2016 (In millions of Mexican pesos)

Assets	**2017**	**2016**
Funds available (Note 6)	$ 21,065	$ 19,145
Margin accounts (Note 7)	241	4,895
Investment in securities (Note 8)		
Trading securities	105,664	106,978
Securities available for sale	8,351	9,698
Securities held to maturity	19,958	15,947
	133,973	132,623
Receivables under sale and repurchase agreements (Note 9)	8,184	309
Derivatives (Note 9):		
Trading purposes	6,623	7,625
Hedging purposes	2,812	3,249
	9,435	10,874
Valuation adjustment for hedged financial assets (Note 11)	436	647
Performing loan portfolio:		
Commercial loans:		
Commercial or business activity	194,205	189,084
Financial entities	8,382	11,371
Government entities	24,374	23,680
Consumer loans	47,609	44,829
Mortgage loans	6,212	6,540
Total performing loan portfolio	280,782	275,504
Non-performing loan portfolio:		
Commercial loans:		
Commercial or business activity	4,861	3,930
Consumer loans	3,193	3,517
Mortgage loans	642	359
Total non-performing portfolio	8,696	7,806
Total loan portfolio (Note 12)	289,478	283,310
Allowance for loan losses (Note 13)	(11,746)	(12,047)
Total loan portfolio, net	277,732	271,263
Receivables from insurance and surety companies, net (Note 14)	1,689	1,716
Premiums receivable, net (Note 15)	8,645	7,825
Receivables from reinsurance and surety, net (Note 16)	11,350	31,938
Other receivables, net (Note 17)	18,919	22,664
Foreclosed assets, net (Note 18)	2,006	2,011
Property, furniture and fixtures, net (Note 19)	6,314	6,401
Long-term investment in shares (Note 20)	11,436	13,298
Other assets, deferred charges and intangibles, net (Note 21)	6,250	4,739
Total assets	$ 517,675	$ 530,348

Liabilities and Stockholders' equity	2017	2016
Deposits		
Demand Deposits (Note 22a)	$ 106,422	$ 81,775
Time Deposits (Note 22b)		
Customer deposits	23,717	21,706
Money Market	7,030	20,130
	30,747	41,836
Credit instruments issued (Note 22c)	93,056	112,036
	230,225	235,647
Bank and other loans (Note 23)		
Demand loans	6	-
Short-term loans	1,041	1,810
Long-term loans	35,714	26,398
	36,761	28,208
Technical reserves (Note 24)	66,115	85,072
Payables arising from settlement of transactions (Note 9)	3,693	11,215
Derivatives (Note 10)		
Trading purposes	12,374	14,354
Hedging purposes	12,803	13,442
	25,177	27,796
Payables to reinsurance and surety, net (Note 25)	819	773
Other payables:		
Income taxes payable	2,699	1,932
Employee profit sharing payable	230	123
Creditors from settlement of transactions (Note 6b)	4,218	9,339
Creditors by margin account	509	-
Cash collateral received (Note 27)	2,125	2,264
Sundry creditors and other payables (Note 28)	6,322	6,448
	16,103	20,106
Deferred taxes, net (Note 30)	3,119	2,906
Deferred revenues and other advances	1,524	1,275
Total liabilities	383,536	412,998
Stockholders' equity (Note 32)		
Paid-in capital		
Capital stock	14,182	14,193
Share premium	13,201	13,201
	27,383	27,394
Other capital:		
Capital reserves	3,114	2,088
Retained earnings	84,515	76,304
Loss from holding non-monetary assets	(971)	(971)
Net income	19,985	12,432
Total controlling interest	134,026	117,247
Non-controlling interest	113	103
Total stockholders' equity	134,139	117,350
Total liabilities and stockholders' equity	$ 517,675	$ 530,348

Memorandum accounts (Note 38)

	2017	2016
On behalf of third parties		
Customers current account		
Customer banks	$ 6	$ -
Settlement of customer transactions	(12)	(324)
	(6)	(324)
Customer securities		
Customer securities received in custody	2,561,528	2,267,944
On behalf customers:		
Repurchase transactions on behalf of customers	39,537	49,731
Collateral received as security on behalf of customers	601	460
	40,138	50,191
Total on behalf of third parties	$ 2,601,660	$ 2,317,811

	2017	2016
Own record accounts:		
Own registry accounts		
Contingent assets and liabilities	$ 61,454	$ 57,107
Assets in trust or under mandate		
Trusts	379,009	384,497
Mandates	1,194	1,288
	380,203	385,785
Collateral received		
Government debt	35,599	31,504
Other debt securities	9,229	26,348
	44,828	57,852
Collateral received and sold or pledged as guarantee		
Government debt	27,446	51,010
Other debt securities	9,229	6,842
	36,675	57,852
Assets in custody or under administration	423,778	412,584
Credit commitments	92,902	102,579
Uncollected interest earned on non performing portfolio	1,780	3,228
Collateral received and sold or pledged as guarantee by the Company	10,311	14,890
Paid-out claims	1,702	1,588
Cancelled claims	50	20
Recovered claims	97	141
Liabilities under bonds in force, net	23,874	24,330
Other memorandum accounts	1,224,139	1,273,123
Total own accounts	$ 2,301,793	$ 2,391,079

“At December 31, 2017 and 2016, the historical capital amount is $2,758”.

The accompanying notes are part of these consolidated financial statements.

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

Consolidated Statements of Income

For the years ended December 31, 2017 and 2016
(In millions of Mexican pesos)

	2017	2016
Interest income	$ 43,573	$ 31,097
Written premiums, net	18,375	17,614
Interest expense	(19,488)	(11,610)
Net increase in technical reserves	(2,237)	(2,887)
Losses, claims, and other contractual obligations, net	(12,622)	(10,975)
Financial margin (Note 35)	27,601	23,239
Allowance for loan losses	(10,053)	(6,614)
Financial margin after allowance for loan losses	17,548	16,625
Commission and fee income (Note 36)	6,786	6,121
Commission and fee expense	(5,005)	(5,114)
Net gain on financial assets and liabilities (Note 37)	14,295	3,759
Other operating income (expense), net	2,172	2,788
Administrative and promotional expenses	(10,845)	(9,690)
Total operating income	24,951	14,489
Equity in results of non-consolidating subsidiaries and associates	1,373	1,011
Income before income taxes	26,324	15,500
Current income taxes (Note 26)	5,167	3,628
Deferred income taxes (Note 30)	1,119	(596)
	6,286	3,032
Consolidated income before non-controlling interest	20,038	12,468
Non-controlling interest	(53)	(36)
Net income	$ 19,985	$ 12,432

The accompanying notes are part of these consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2017 and 2016
(In millions of Mexican pesos)

	Paid-in Capital	
	Capital stock	Share premium
Beginning balances as of January 1, 2016	$ 14,207	$ 13,201
Changes arising from stockholders' decisions		
Application of income for the year ended December 31, 2015 to results of previous years	-	-
Decree of dividends	-	-
Repurchase of shares	(14)	-
Total	(14)	-
Movements inherent in the recognition of comprehensive income		
Net income	-	-
Participation in other capital accounts of subsidiaries, net of deferred taxes	-	-
Total	-	-
Balances as of December 31, 2016	14,193	13,201
Changes arising from stockholders´decisions		
Application of income for the year ended December 31, 2016 to results of previous years	-	-
Decree of dividends	-	-
Share repurchase reserve	-	-
Repurchase of shares	(11)	-
Total	(11)	-
Movements inherent in the recognition of 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

The accompanying notes are part of these consolidated financial statements.

Other Capital					
Capital reserves	Retained earnings	Result from valuation of available for sale securities, net	Result from valuation of cash flow hedge instruments, net	Accumulated conversion effect	Gain (loss) from holding non-monetary assets
$ 3,098	$ 64,281	$ (971)	$ 11,727	$ 96	$ 105,639
-	11,727	-	(11,727)	-	-
-	(2,928)	-	-	-	(2,928)
(1,010)	-	-	-	-	(1,024)
(1,010)	8,799	-	(11,727)	-	(3,952)
-	-	-	12,432	36	12,468
-	3,224	-	-	(29)	3,195
-	3,224	-	12,432	7	15,663
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

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016
(In millions of Mexican pesos)

	2017	2016
Net income attributable to controlling interest	$ 19,985	$ 12,432
Adjustment for line items that do not require cash flows:		
Technical reserves	2,237	2,887
Depreciation of property, furniture and fixtures	550	101
Amortization of intangible assets	22	31
Amortization of debt emissions costs	118	103
Current and deferred income taxes	6,286	3,032
Provisions	57	158
Equity in results of non-consolidating subsidiaries and associates	(1,373)	(1,011)
Non-controlling interest	10	7
	27,892	17,740
Operating activities:		
Change in margin accounts	4,654	(2,172)
Change in investment in securities	(1,656)	(45,678)
Change in receivables under sale and repurchase agreements	(7,875)	7,073
Change in derivatives (assets)	1,002	(903)
Change in loan portfolio	(6,469)	(44,481)
Change in receivables from insurance and surety companies	27	64
Change in premiums receivable	(820)	(559)
Change in receivables from reinsurance and surety	20,588	1,070
Change in foreclosed assets	5	990
Change in other operating assets, net	2,094	2,729
Change in deposits	(5,422)	39,659
Change in bank and other loans	8,553	20,989
Change in payables arising from settlement of transactions	(7,522)	4,814
Change in derivatives (liability)	(1,980)	1,585
Change in payables to reinsurance and surety, net	46	(1,115)
Change in other operating liabilities	(4,579)	5,438
Change in hedging instruments	(424)	3,496
Change in technical reserves	(21,194)	(3,107)
Payment of income tax	(5,306)	(850)
Net cash used in operating activities	(26,278)	(10,958)
Investing activities:		
Payments for acquisition of property, furniture and fixtures	(463)	(385)
Collections for sale (payments per acquisition) of permanent investments	3,235	(202)
Permanent investment dividend collections	1,437	(98)
Net cash generated by (used in) investing activities	4,209	(685)
Financing activities:		
Cash payment of dividends	(3,047)	(2,928)
Repurchase of own shares	(856)	(1,024)
Net cash used in financing activities	(3,903)	(3,952)

	2017	2016
Net increase in fund available	1,920	2,145
Funds available at the beginning of the period	19,145	17,000
Funds available at the end of the period	$ 21,065	$ 19,145

The accompanying notes are an integral part of these consolidated financial statements.

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2017
(In millions of Mexican pesos, except foreign currency and Exchange rates)

1. Activity and economic regulatory environment

Grupo Financiero Inbursa, S.A.B. de C.V. (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, and is subject to the supervision and oversight of the Mexican National Banking and Securities Commission (the Commission) and Banco de México (Central Bank or Banxico). The Financial Group's main activities include the acquisitions of financial sector entity shares and supervision of the activities of such entities, which activities are carried out accordance with the above-mentioned law and is authorized by Banxico to transact derivative financial instruments. The Financial 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 Banxico 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 Financial Group 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 2017 events

a. *Capital contributions in FC Financial, S.A. de C.V., SOFOM, ER (FC Financial)* - On April 21st, 2017, an increase in the variable part of FC Financial capital stock of $1,500 (one thousand five hundred million pesos); represent by 1,701,006,479 ordinary, nominative Series “B”, shares with no par value were issued at a value of $0.881830856330324 pesos per share.

   On November 22, 2017, an increase in the variable part of FC Financal's capital stock of $1,500 (one thousand five hundred million pesos); represent by 1,734,803,134 ordinary, nominative Series “B”, shares with no par value were issued at a value of $0.86465142900414 pesos per share.

b. Merger between CF Credit Services, S.A. de C.V., SOFOM, ER, GFI (CF Credit) and Sociedad Financiera Inbursa (Sociedad Financiera Inbursa), - On June 1st, 2017, the merger was completed by CF Credit as the merging entity with Sociedad Financiera Inbursa as the merged entity. After the merger, CF Credit changed its name to SOFOM Inbursa, S.A. de C.V., SOFOM, ER, GFI (SOFOM Inbursa). This merger had zero impact in the consolidated financial statements of the Financial Group, as they are entities under common control.

c. *Sales of shares of México Transportes, S.A.B. de C.V. (GMXT)* - On November 14, 2017, Sinca Inbursa, S.A. de C.V., Capital Investment Fund (Sinca Inbursa), subsidiary of the Bank, participated in a secondary public offer of a mix global sale of shares, which represents the capital stock of GMXT. At the date of the transaction Sinca Inbursa, had a participation in GMXT of 8.25% of its share capital, and after the offer, only 0.90%. Sinca Inbursa obtained a profit from the offering of GMXT shares of $5,546 million pesos, which was recorded in the consolidated statement of income at the clearing date of the transaction.

d. *Forward Purchase Agreement*. - On December 8, 2017, 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.

e. *Release of reserve funds for credit risks* - On December 31, 2017, the Bank performed the delivery of the excess of the loan portfolio reserve for an amount of $500, recognizing the effect of the delivery of the excess in the reserve in the consolidated statement of income within the caption “Other income from the operation” 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 CNBV authorized the special accounting criteria derived from the natural phenomena that affected our country at the end of 2017.

f. *Change of corporate name of Sinca Inbursa* - By the agreement in the Extraordinary General Stockholders’ Meeting, which was resolved on January 24, 2017, Sinca Inbursa approved the integral reform of Sinca Inbursa’s regulations and on May 19 received authorization from the Commission for the transformation of the Investment Fund of the company under the corporate name of “Sinca Inbursa, SA de CV, Capital Investment Fund”.

g. *Merger of Credit Insurance with Bonding Guardiana* - On April 30, 2017, Fianzas Guardiana Inbursa, S.A., Grupo Financiero Inbursa merged with Seguros Crédito Inbursa, S.A., Grupo Financiero Inbursa as a merged company and that is extinguished. This merger had no impact on the Consolidated Financial Statements of the Financial Group.

h. *Transfer of pension portfolio Inbursa - On September 14, 2017*, Pensiones Inbursa signed an intention letter to complete the transfer of an important part of its portfolio to Pensiones Banorte, S.A. de C.V., Grupo Financiero Banorte. As of January 8, 2018, in agreement with the provisions of section II of article 270 of the Law on Insurance and Bonding Institutions, the Administration, the publication of the portfolio transfer notice required by said law was carried out. As of the date of this opinion, the transaction is pending of the authorization by the National Insurance and Bonding Commission.

Significant 2016 events

a. *Capital contributions in Sociedad Financiera Inbursa, S.A. de C.V., SOFOM, ER (Sociedad Financiera Inbursa)* - In 2016, the following capital contributions were approved by the stockholders of Sociedad Financiera Inbursa:

On April 28, 2016, an increase in the variable portion of the capital stock of $1,000 (one billion pesos); as a result, 387,253,680 ordinary, nominative Series "B" shares with no par value were issued at a value of $2.5823 Mexican pesos per share.

On July 28, 2016, an increase in the variable portion of the capital stock of $800 (eight hundred million pesos); as a result, 324,504,084 ordinary, nominative Series "B" shares with no par value were issued at a value of $2.4653 Mexican pesos per share.

On September 23, 2016, an increase in the variable portion of the capital stock of $850 (eight hundred fifty million pesos); as a result, 354,726,651 ordinary, nominative Series "B" shares with no par value were issued at a value of $2.3962 Mexican pesos per share.

On October 28, 2016, an increase in the variable portion of the capital stock of $800 (eight hundred million pesos); as a result, 347,560,420 ordinary, nominative Series "B" shares with no par value were issued at a value of $2.3018 Mexican pesos per share.

On December 23, 2016, an increase in the variable portion of the capital stock of $500 (five hundred million pesos); as a result, 205,087,754 ordinary, nominative Series "B" shares with no par value were issued at a value of $2.4380 Mexican pesos per share..

b. *Capital Contributions in FC Financial, S.A. de C.V., SOFOM, ER (FC Financial)* - In 2016, the following capital contributions were approved by the stockholders of FC Financial:

On April 28, 2016, an increase in the variable portion of the capital stock of $750 (seven hundred fifty million pesos); as a result, 750,000,000 ordinary, nominative Series "B" shares with no par value were issued at a value of $1 Mexican peso per share.

On December 23, 2016, an increase in the variable portion of the capital stock of $1,000 (one billion pesos); as a result, 1,092,482,727ordinary, nominative Series "B" shares with no par value were issued at a value of $0.915346279886767 Mexican pesos per share.

c. *Liquidation of Seguridad Inbursa, S.A. de C.V. (Seguridad Inbursa)* - During a Stockholders' Ordinary General Meeting held on February 29, 2016, the early dissolution and liquidation of Seguridad Inbursa was approved. Also, a during a Stockholders' special Meeting held on July 25, 2016 the liquidation financial statements for the period from January 1, 2016 to May 31, 2016 were approved, and such statements were published on June 30, 2016 via the Electronic System of Publications of Business Entities established by the Economy Department. Finally, on June 16, 2016, through official notice No. 312-2/113699/2016, the Commission authorized the Bank to divest the common stock of Seguridad Inbursa, and on July 26, 2016, the capital was reimbursed accordingly.

d. *Accounting changes issued by the National Insurance and Bond Commission (the CNSF from its Spanish acronym)* - Seguros Inbursa - On December 19, 2014, the Provisions for Insurance and Bond Institutions (the CUSF from its Spanish acronym) was issued and published in the Federal Gazette (DOF from its Spanish acronym) the Federal Gazette published the decree law, whereby the Law is drawn up, which came into force on April 4, 2015, and includes changes in some accounting principles, however, through the Twelfth Transitory provision of the CUSF, it is indicated that during the period from April 4 to December 31 2015, the Institutions and Mutual Companies will comply with the accounting criteria set in Transitory Provision 1 of the CUSF, which are the same that were in force until April 3, 2015. Therefore, the accounting criteria applicable by the entry in force of the CUSF are mandatory as of January 1, 2016.

As mentioned in the previous paragraph, despite the fact that the Law and CUSF entered into force on April 4, 2015, some transitional provisions were published that allowed the following aspects came into effect beginning January 2016: (I) accounting criteria for the estimation of assets and liabilities, (ii) the constitution, valuation, increase and recording of technical reserves, (iii) calculation of investment base and (iv) solvency capital requirement and others.

The accounting criteria applicable to Insurance and Bond Institutions, as of January 1, 2016, are contained in Title 22 "Accounting criteria and Financial Statements", Chapter 22.1 "Of the accounting criteria for the estimation of assets and liabilities of Mutual Companies and Institutions. "

The Financial Group adopted the new accounting criteria issued by the CNSF through the Annex 22.1.2 of the CUSF. These accounting criteria applicable as of January 1, 2016, mainly include the effect of the annualization of premiums and the new model for the valuation of technical reserves. The net effect recorded in the income statement as of January 1, 2016 is derived from the changes in the accounting criteria amounted to $(362).

Entities regulated by the Commission

Banco Inbursa, S.A., Institución de Banca Múltiple, GFI (Banco Inbursa) - Is a multiple-service banking institution engaged in providing banking and credit services and acting as a trust company, in conformity with the requirements of the Law, the Commission and Banxico. Banco Inbursa holds a majority equity interest in the following entities:

- Afore Inbursa, S.A. de C.V., GFI (Afore Inbursa) - The purpose of this business is to manage retirement savings in accordance with the Retirement Savings System Law. This entity is regulated by the Mexican National Commission of Retirement Savings (CONSAR).

- SOFOM Inbursa, S.A. de C.V., SOFOM, E.R., GFI (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 Banxico. 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., GFI (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., which is consolidated in the Financial Group's financial statements based on control established by its 99.99% shareholding.

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

Inversora Bursátil, S.A. de C.V., Casa de Bolsa, GFI (Inversora Bursátil) - This entity acts primarily as an intermediary in the trading of securities and currencies in terms of the Mexican Securities Trading Act 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., GFI (Operadora Inbursa) - This company carries out its transactions in conformity with the Mexican Investment Funds Act and the general regulations established by the Commission. This company is engaged primarily in providing administrative and stock distribution and repurchasing services, as well as in managing its investment fund portfolio.

Companies regulated by the CNSF

Seguros Inbursa, S.A. (Seguros Inbursa) - Is engaged in selling individual, group and collective life, accident, health, and fire insurance, automobile, maritime and transportation, civil and professional liability, crop, and sundry.

This company is also authorized to engage in reinsurance and rebounding business. Seguros Inbursa holds a majority equity interest in the following entities:

- Asociación Mexicana Automovilista, S.A. de C.V. (AMA) - Is primarily engaged in providing general tourism and driver assistance services.

- Autofinanciamiento Inbursa, S.A. de C.V. (Autofinanciamiento) - Is primarily engaged in the acquisition, distribution, purchase, and sale of all kinds of automobiles.

- Patrimonial Inbursa, S.A. (Patrimonial) - Is an entity regulated by the CNSF and is primarily engaged in writing property and casualty, life and accident, and health insurance policies.

- Servicios Administrativos Inburnet, S.A. de C.V. (Inburnet) - Is primarily engaged in providing the Group's entities with administrative services related to insurance agents.

Fianza Guardiana Inbursa, S.A. (Fianzas) - Is a commercial company whose specific purpose is engaged in guaranteeing, for a fee, the fulfillment of contracted financial obligations of individuals or corporate entities to other individuals or corporate entities, public or private. This company is also liable for the payment of claims arising under bonds extended.

Pensiones Inbursa, S.A. (Pensiones) - Its operation consists in receiving the resources from the social security institutes, to invest them in order to guarantee a life pension payable monthly to the pensioner or his beneficiaries, while they are allowed to the pension.

Pensiones Inbursa holds majority equity interest in Promotora Inbursa, S.A. de C.V., which is primarily engaged in acquiring shares and equity interest in all kinds of entities and participating in all manner of bids for concessions, permits, or contracts for rendering different kinds of services, as well as in acquiring all types of securities and granting different types of financing. Promotora Inbursa holds a majority equity interest in the following entities:

- Efectronic, S.A. de C.V.
- CE EFE Controladora, S.A. de C.V.
- Servicios de Comunicación y Transporte Globales, S.A. de C.V.
- Vale Inteligente de Combustible, S.A. de C.V., which in turn is the controlling Company of T-fía
- Fundación Inbursa, A.C.
- Promotora Loreto, S.A. de C.V.
- Vale Inbursa, S.A. de C.V.
- ClaroShop.com Holding, S.A. de C.V.

Companies 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. The change of corporate name was made on December 13, 2016.

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 change of corporate name was made on December 13, 2016.

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, 2017 y 2016 and for the years then ended include balances and transactions in pesos of different purchasing power. Accumulated inflation for the three fiscal years prior to December 31, 2017 and 2016, is 9.87% and 10.52%, respectively; therefore, the economic environment qualifies as non-inflationary in both years and, consequently, the effects of inflation in the accompanying financial statements are not recognized. The percentages of inflation for the years ending on December 31, 2017 and 2016 were 6.77% and 3.36%, respectively.

Consolidation of financial statements - The accompanying consolidated financial statements include the financial statements of Grupo Financiero, those of its controlled subsidiaries and the trusts for securitization operations. Permanent investments in shares are valued using the equity method. All major intercompany balances and transactions have been eliminated.

Preparation of financial statements - The Financial Group's financial statements are prepared in accordance with the accounting policy framework applicable to credit institutions issued by the Commission. This regulatory framework establishes that entities must comply with the accounting guidelines of NIFs, issued and adopted by the CINIF, and other provisions of the regulatory framework of financial information that result from specific application.

The rules of the Commission referred to in the previous paragraph apply at the level of recognition, valuation, presentation and disclosure rules.

Presentation of the financial statements - The provisions of the Commission, related to the issuance of the consolidated financial statements, establish that the figures must be presented in millions of pesos. Consequently, in some items of the consolidated financial statements, accounting records show items with balances lower than the unit (one million pesos), which is why no figures are presented in these items.

3. Significant accounting policies

The significant accounting policies applied by the Financial Group are in conformity with the accounting criteria established by the Commission, which are included in the "General Provisions Applicable to Financial Group Controlling Companies, Credit Institutions, Mutual Insurance Companies, Brokerage Houses, Retirement Fund Administrators, Investment Funds and people who provide services to them and Regulated Multiple Purpose Financial Companies" (the Provisions), in its circulars and in general and specific official mandates, which require that management make certain estimates and utilize certain assumptions to determine the valuation of items included in the consolidated financial statements and to make required disclosures. Although the actual results may differ, management believes that the estimates and assumptions utilized were appropriate under the circumstances.

Based on the Provisions, the accounting principles adopted by the Financial Group shall be in conformity with Mexican Financial Reporting Standards (MFRS, which are comprised of individual accounting standards that are known as NIF) as promulgated by the Mexican Board of Financial Reporting Standards (CINIF), except when the Commission believes that a specific regulation or accounting treatment should be applied on the basis that the entities overseen by the Commission carry 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.

Accounting Changes -

As of January 1, 2017, the Financial Group adopted the following accounting criteria and improvements to NIF 2017:

Improvements to NIF 2017

Some of the main changes established by these standards are as follows:

NIF B-7, Business acquisitions - A modification was made to the prospective adoption of the Improvements to NIF 2016, which establishes that acquisitions under common control should not form part of the scope of such NIF.

NIF B-13, Events after the date of the financial statements, NIF B-6, Statement of financial position and NIF C-19, Financial instruments payable.

NIF C-6, Properties, plant and equipment - Require the disclosure of the amount of the inventories or machinery and equipment received and held temporarily on consignment, under administration, for maquila operations or for display, when there is a commitment to return them.

NIF C-11, Stockholders' equity - Establishes that the costs incurred to list shares in a stock market which at the date of such listing were already the property of investors, and for which the issuing entity had already received the respective proceeds, should be recognized in net income or loss at the time of their accrual, because it is considered that there was no equity transaction. It also clarifies that any expense incurred in the re-issuance of repurchased shares should be recognized as a reduction of the capital issued and placed.

Improvements to NIF 2017 - The following improvements do not generate accounting changes, the improvements consist of outlining the scopes and definitions of these NIF to clearly indicate the appropriate application and accounting treatment:

NIF C-2, *Investment in financial instruments*
NIF C-3, *Accounts receivable*
Bulletin C-15, *Impairment in the value of long-lived assets and their disposal*
NIF C-16, *Impairment of financial instruments receivable*

At the date of issuance of these consolidated financial statements, the adoption of these improvements did not have a material effect on the Group's financial information.

Change in accounting estimates applicable

Changes in the Methodology for the determination of the allowance for loan losses applicable to the non-revolving consumer portfolio, mortgage and microloans, issued by the Commission applicable in 2017

On January 6, 2017, the Commission issued a resolution which modifies the Provisions, by means of which adjustments are made to the methodology applicable to the rating of the non-revolving consumer loans and mortgage loans for credit institutions for the purpose of new measures of risk at the client level, such as the level of indebtedness, the payment behavior of the system and the specific risk profile of each product, as well as updating and adjusting the risk parameters of probability of default, severity of loss and exposure to default that are taken into account for the rating of the loan portfolio and the calculation of the allowance for loan losses of non-revolving consumer loans and housing mortgage loans.

The Commission stipulated the recognition of the initial effect of the application of the rating methodology for the non-revolving consumer loan portfolio and mortgage loan in stockholders' equity no later than December 31, 2017.

As of December 31, 2017, the initial financial effect derived from the application of the methodology change originated a constitution and recording of allowance for loan losses in the consolidated balance sheet under the heading "Allowance for loan losses" in the amount of $294, with a charge to the stockholders 'equity under "Retained earnings" and "Allowance for loan losses" within the stockholders' equity and in the consolidated statement of income for an amount of $120 and $86, respectively.

In addition, and in accordance with the Provisions of the NIF D-4, Income Taxes, the Financial Group recognized the deferred ISR related to this initial financial effect derived from this change, by means of an increase in the item "Deferred income taxes, net" in the consolidated balance sheet with a corresponding increase in "Retained earnings" and "Allowance for loan losses" in the stockholders' equity and in the consolidated statement of income for an amount of $51 and $37, respectively.

Therefore, the initial financial effect recognized in stockholders' equity and in the consolidated statement of income for the year 2017 within the item "Retained earnings" and "Result of the financial year", respectively, as a result of the application of the change in the methodology for the loan portfolio rating for non-revolving consumer loans and mortgage loans, by an amounts of $294, net of the related deferred tax.

The most significant accounting policies applied by the Group's management for the preparation of its consolidated financial statements are described below:

Reclassifications - Certain amounts in the consolidated financial statements for the year ended December 31, 2016 have been reclassified for purposes of comparison with those for the year 2017. Such reclassifications have no significant effect considering the consolidated financial statements as a whole.

Recognition of the effects of inflation in the financial information - Beginning on January 1, 2008, the Group discontinued recognition of the effects of inflation in its financial statements, in accordance with Provisions of NIF B-10. Until December 31, 2007, this recognition resulted mainly in gains or losses due to inflation on non-monetary and monetary items that are presented in the consolidated financial statements as an increase or decrease in headings of stockholders' equity, as well as in non-monetary items.

Accumulated inflation for the three fiscal years previous to 2017 and 2016, measured through the value of the Investment Unit (UDI), is 9.87% and 10.52%, respectively, so the economic environment for both years qualifies as non-inflationary. As mentioned above, the effects of inflation accumulated up to December 31, 2007 are kept in the accounting records of the consolidated balance sheet as of December 31, 2017 and 2016.

The percentages of inflation for the years ending on December 31, 2017 and 2016, were 6.77% and 3.36%, respectively; therefore, the economic environment qualifies as non-inflationary in both years.

Estimates and assumptions in the significant items - The preparation of the consolidated financial statements of the Financial Group requires the administration to make judgments, estimates and assumptions, that affect the presented value of the income, expenses, assets and liabilities, as well as the disclosures to the themselves and of contingent liabilities. Uncertainty about these expectations and estimates could give rise to results that require a material adjustment to the book value of the assets or liabilities in future periods.

The Group was based on these expectations and estimates on parameters available at the date of preparation of the consolidated financial statements. Existing circumstances and expectations could be modified due to changes or circumstances beyond the control of the Group. Such changes are recognized in the assumptions when they occur.

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 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.

Transactions in foreign currency - Transactions denominated in foreign currency are recorded in the currency of the transaction, the results are recorded at the exchange rate determined by Banxico. Monetary assets and liabilities denominated in foreign currency are valued in local currency at the exchange rate at the close of each period, issued by Banxico. The differences in changes incurred in relation to assets or liabilities contracted in foreign currency are recorded in the results for the year.

Funds available - Cash is mainly represented by checking accounts and short term investments of not more than 90 days, which are presented at acquisition cost, adding the interest accrued unpaid at the balance sheet date; the amount is similar to the market value.

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

The documents of immediate collection in “firm” are recognized as “Other funds available” if they are chargeable within two days (of the country) or five (from abroad) business days after the operation that originated them. When the documents are not recovered in the terms, they are transferred to the item “Loan portfolio” or “Other accounts receivable”, depending on the nature of the initial transaction.

In the case of the items transferred to the item “Other accounts receivable”, an estimate is created for the total amount of the debt at 15 calendar days following its transfer.

Operations pending settlement

- ***Purchase sale of securities***

  They are recorded on the date of the transaction, recognizing the entry or exit of the securities, subject to the transaction at the price agreed on the market, against the corresponding settlement account. This account is eliminated on the day of the settlement of the transaction. At the time of the disposal of the securities, the difference between the purchase price and the sale price is recognized in the profit or loss as a sale or purchase.

- ***Buy foreign exchange***

  Foreign currency purchase transactions are recorded at the clearance prices. When its clearing is agreed within a maximum period of two banking business days following the date of the agreement, these transactions are recorded as restricted availability (purchases) and outflows of availabilities (sales), against the corresponding clearance account. Profits or losses obtained from transactions for the purchase and sale of foreign currency are recognized in the income statement in “Net gain on financial assets and liabilities”.

Transactions for the purchase and sale of securities and currencies in which the immediate settlement or the same value date is not agreed are recorded in settlement accounts for the amount in national currency to be collected or payable. The debit and credit settlement accounts are presented under Other accounts receivable and Creditors for settlement of transactions, as appropriate and are offset when you have the contractual right to offset the amounts recognized and the intention to settle the net amount or to make the asset and cancel the liability, simultaneously.

When the debit settlement accounts are not recovered within 90 calendar days following their conclusion, they are reclassified as due to the line Other accounts receivable and an estimate for unrecoverability is established for its entirety.

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

In the case of margin accounts granted to the clearinghouse and composed by items other than cash, such as debt instruments or share certificates, the clearinghouse is entitled to sell the component assets embodied in these margin accounts or give them in guarantee. Financial assets given in guarantee are presented as restricted assets; the respective valuation and disclosure standards are then utilized according to the applicable accounting criterion based on the nature of these assets.

Margin accounts are used to ensure the fulfillment of obligations derived from the performance of transactions with derivative financial instruments on recognized stock markets and exchanges. Accordingly, they reflect the initial margin, contributions and withdrawals made during each contractual period.

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 from increases in fair value. Upon acquisition, they are initially recorded at fair value, which includes applicable the discounts or premiums. Furthermore, the cost is determined by the average costs method. They are subsequently valued at fair value determined by the price supplier engaged by the Group in accordance with the Provisions of the Commission.

The difference between the historical cost, which is determined using the average cost method, of the investments in debt securities plus accrued interest and of equity securities compared with their fair value is recorded in the consolidated statements of income under the item "Net gain on financial assets and liabilities". The effects of valuation will be treated 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.

The transaction costs for the acquisition of trading securities are recognized in earnings on the acquisition date.

Cash dividends of shares are recognized in earnings in the same period in which the right to receive such payment is generated.

The exchange gain or loss on foreign currency-denominated investments in securities is recognized in earnings.

This heading is used to record outstanding transactions derived from the purchase-sale of assigned, unpaid securities, which are valued and recorded as securities held for trading purposes. The movements of the securities embodied in each transaction are recorded in the respective debit or credit settlement account.

The accounting criteria used by the Commission allow for reclassifications of trading securities to available-for-sale only in extraordinary circumstances (for example, a lack of market liquidity, no active market for the instrument, among others), which will be evaluated and, if applicable, validated with the express authorization by the Commission. As of December 31, 2017 and 2016, the Group did not reclassifications.

- ***Securities available for sale***

Available for sale securities represent investments in securities of debt instruments and in equity instruments whose intention is not targeted at obtaining gains derived from price differences resulting from purchase and sale transactions and, in the case of debt instruments, neither is the intention or ability to keep them until their expiration, therefore represents a residual category, therefore they are acquired with an intention other than that of the securities to be traded or retained at maturity, because it is intended to negotiate them in the future not close but before its expiration.

Upon acquisition they are initially recorded at fair value plus the acquisition transaction cost, including applicable discounts or premiums, which is the acquisition cost for the Financial Group. They are subsequently valued at fair value.
The Group determines the increase or decrease in the fair value using current prices provided by the price supplier, which uses various market factors for their determination. The efficiency on debt securities is recorded using the imputed interest or effective interest method depending on the nature of the security; such efficiency is recognized as earned in the consolidated statements of income under “Interest income”. Unrealized gains or losses resulting from changes in fair value are recorded in comprehensive income items under stockholders’ equity, specifically, under the heading “Result from valuation of available for sale securities, net”, provided such securities were not defined as hedged in a fair value hedging relationship through a derivative financial instrument, in which case they are recognized in earnings.

Cash dividends of shares are recognized in earnings in the same period in which the right to receive such payment is generated.

The exchange gain or loss on foreign currency-denominated investments in securities is recognized in earnings.

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 market liquidity, or when there is no active market for the securities, among others), which should be assessed and, if applicable, validated through the express authorization of the Commission. As of December 31, 2017 and 2016, the Group did not make reclassifications of securities between categories.

- ***Securities held to maturity***

    Securities held to maturity are those with fixed or determinable payments and fixed maturity, which the Group has both the intention and the ability to hold until maturity. These securities are initially recorded at fair value plus acquisition transaction costs, including applicable discount or premium. They are subsequently valued at amortized cost. Interest earned is recorded in the consolidated statements of income under "Interest income" using the imputed interest or effective interest method, in accordance with the nature of the instrument.

    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 market liquidity, or when there is no active market for the securities, among others), which should be assessed and, if applicable, validated through the express authorization of the Commission.

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

A financial instrument is considered to be impaired and, accordingly, a loss from impairment is incurred if, and 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 financial instrument, which had an impact on its estimated future cash flows that can be reliably determined. It is very unlikely that one identified event can be 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 how probable they are occurring.

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
   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 2017 and 2016, the management of the Financial Group has not identified objective evidence of impairment of a credit instrument held.

Sale and 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 to the selling party the ownership of the other securities of the same kind. Unless otherwise agreed, the premium is for the buying party.

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

Sale and repurchase agreements are recorded as indicated below:

When the Group acts as the buying party on the contracting date of the sale and repurchase agreements, the withdrawal of funds available or a credit settlement account is recognized, recording an account receivable, initially at the price agreed, which represents the right to recover the cash delivered. The account receivable will be valued subsequently during the useful life of the sale and repurchase agreements at amortized cost, recognizing the interest on the sale and repurchase agreements based on the effective interest method in earnings.

On the contracting date of the repurchase transaction, when the 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, initially at the price agreed, which represents the obligation to repay such cash to the buying party. The account payable will be valued subsequently during the useful life of the sale and repurchase agreements at amortized cost, recognizing the interest on the sale and repurchase agreements based on the effective interest method in earnings.

When the transactions performed are considered to be cash-oriented, the transaction is intended to obtain cash financing by using financial assets as collateral for such purpose; by the same token, the buying party obtains a return on its investment at a certain rate, and as it is not seeking a specific value, receives financial assets as collateral to mitigate the exposure to credit risk which it faces in relation to the selling party. In this regard, the selling party pays the buying party the interest on the cash that it received as financing, calculated based on the rate negotiated in the sale and repurchase agreements. Also, the buying party obtains yields on its investment, whose payment is assured through the collateral.

When the transactions performed are considered to be securities-oriented, the intention of the buying party is to temporarily accept 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 rate negotiated in the sale and repurchase agreements for the implicit financing obtained on the cash that it received, which rate is generally lower by comparison than the rates specified in “cash-oriented” sale and repurchase agreements.

Regardless of the economic intent, the accounting for “cash-oriented” or “securities-oriented” repurchase transactions is the same.

Collateral granted and received other than cash in sale and 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, issued by the Commission, in the account named “Custody and management of assets”. The securities vendor presents the financial asset on its consolidated balance sheet as a restricted asset. It then applies valuation, presentation and disclosure standards according to the respective accounting criterion.

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

When the buying party sells the collateral, the proceeds from the sale are recorded and an account payable for the obligation to repay the collateral to the selling party (measured initially at the agreed-upon price) is valued at fair value. If the collateral is pledged as guarantee in another repurchase or resale agreement, it will be measured at amortized cost (any difference between the price received and the value of the account payable is recognized in earnings).

Similarly, if the buying party becomes a selling party due to other sale and repurchase agreements with the same collateral received as guarantee of the initial transaction, the interest on the second sale and repurchase agreements must be recognized in earnings as accrued, according to the implied interest method or effective interest method, while also affecting the account payable valued at amortized cost.

For transactions where the buying party sells or pledges as guarantee the collateral received (for example, when another repurchase or resale agreement securities loan transaction is established), memorandum accounts are used to control the collateral sold or pledged as guarantee, which is valued using the standards applicable to custody transactions included in Criterion B-9 "Custody and Management of Assets" issued by the Commission.

Memorandum accounts which are recognized for collateral received that in turn was sold or pledged as guarantee by the buyer, 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 nonpayment.

Derivatives - The Group carries out two types of transactions with financial derivatives:

– *For trading purposes* - Their objective is different from that of covering open risk positions by assuming risk positions as a participant in the derivatives market.

– *For hedging purposes* - Their objective is to mitigate the risk of an open risk position through transactions with financial derivatives.

The Group recognizes all its derivatives (including hedging derivatives) as assets or liabilities (depending on the related rights and/or obligations) in the consolidated balance sheet, initially at fair value, which presumably is equal to the price agreed in the transaction.

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

Subsequently, all derivatives are valued at fair value without deducting any transaction costs incurred on the sale or another type of disposal, recognizing the valuation effect earnings under the heading "Net gain on financial assets and liabilities", except when the financial derivative forms part of a cash flow hedging relationship, in which case, the portion of the gain or loss on the derivative financial instrument that is effective in the hedge is recorded in the comprehensive income account in the stockholders' equity and the ineffective part is recorded in the income statement as part of "Net gain on financial assets and liabilities".

In the case of derivatives valued in the recognized markets or stock exchanges, the rights and obligations relating to them are considered to have expired when the risk position is closed, that is, when a derivative of a contrary nature is realized in the market or stock market. The same characteristics.

In respect to derivatives that are not listed on recognized markets or exchanges, the rights and obligations relating to them are considered to have expired when they reach maturity; the rights are exercised by one of the parties, or, said rights are exercised in advance by the parties in accordance with the conditions established there and the agreed compensation is established.

Derivatives are presented in a specific item of the asset or liability, depending on whether their fair value (as a consequence of the rights and/or obligations they establish) corresponds to a debit balance or a credit balance, respectively. Accordingly, the debit or credit balances may be offset provided they comply with the corresponding compensation rules.

The Group presents the item “Derivatives” (debit or creditor balance) in the consolidated balance sheet, separating the derivatives for the purpose of trading the derivatives for hedging purposes.

Transactions performed for trading purposes

– *Optional Securities (Warrants):*

Warrants are documents which represent the temporary right acquired by holders in exchange for the payment of a premium to the issue Shares or Indexes. Consequently, as this right expires at the end of the validity period, holding warrants means recognizing the fact that their intrinsic value and secondary market price may fluctuate based on the market price of the reference assets.

– *Forward and future contract:*

The forward and future contracts are those that establish an obligation to buy or sell an underlying asset on a future date at a pre-established quantity, quality and price on a trading contract. Both forward and futures contracts are recorded by the Group as assets and liabilities in the consolidated balance sheets at fair value, which is theoretically represents the fair value of rights or obligations, established in the underlying asset purchase-sale contract, to receive and/or deliver the underlying asset, and to receive and/or deliver the cash equivalent to the underlying asset subject specified in the contract.

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

Differences between the exchange rate agreed in the forward contract for trading purposes and the monthly forward exchange rate, as well as the valuation effects, are recorded in the consolidated statements of income under “Net gain on financial assets and liabilities”.

Futures entered into for trading purposes are recorded at market value and the difference between such value and the agreed-upon price is recorded in the consolidated statements of income.

For financial information classification purposes, the asset and liability positions of derivatives that have both rights and obligations, such as forwards and futures are offset on a contract by contract basis; if the result is a debit balance, the difference is presented under the asset line item “Derivatives”; and if it is a credit balance, under the liability line item “Derivatives”.

– *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.

The holder of a call has the right, but not the obligation, to buy 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.

Considering the rights granted, options are divided into buy options (calls) and sell options (puts).

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 Group records the premium paid for the option on the transaction date as an asset or liability. Any fluctuations from valuation of the premium at market are recognized in the consolidated statements of income under "Net gain on financial assets and liabilities", with the adjustment to the appropriate consolidated balance sheet account.

When an option matures or is exercised, the related premium is canceled against earnings under "Net gain 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 dates previously established.

Swaps are initially recognized by the Financial Group in the consolidated balance sheet as an asset or liability, at fair value, which presumably is equal to the agreed-upon price.

The Group recognizes both an asset and a liability resulting 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 earnings.

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, through earnings.

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 earnings. If the impairment situation subsequently disappears, the impairment is reversed up to the amount of the previously recognized impaired loss, recognizing this effect in earnings when it arises.

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 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”.

Derivative hedging transaction

La Administración del Grupo Financiero realiza operaciones con derivados para fines de cobertura con swaps.

Los activos y pasivos financieros que sean designados y cumplan con los requisitos para ser designados como partidas cubiertas, así como los instrumentos financieros derivados que forman parte de una relación de cobertura, se reconocen de acuerdo con las Disposiciones relativas a la contabilidad de coberturas para el reconocimiento de la ganancia o pérdida del instrumento de cobertura y de la partida cubierta de acuerdo con lo establecido en el Criterio Contable B-5, *Derivados y operaciones de cobertura*, de la Comisión.
Una relación de cobertura califica para ser designada como tal cuando se cumplen todas las condiciones siguientes:

- Formal designation and sufficient documentation of the hedge relationship.
- The hedge must be highly effective in achieving the offsetting of the changes in fair value or in the cash flows attributable to the hedged risk.
- For cash flow hedges, it must be highly probable that the forecast transaction that is intended to be hedged will occur.
- The hedge must be reliably measurable.
- The hedge must be evaluated periodically (at least quarterly).

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

The result of offsetting the asset and liability positions, whether borrower or creditor, is presented independently of the hedged primary position, forming part of the heading “Derivatives” of the consolidated balance sheet and the accrued interest is recorded in the consolidated statement of income in the caption “Interest income” or “Interest expense”.

Derivative financial instruments contracted for hedging purposes are valued at the market value and the effect is recognized according to the type of accounting hedge, as follows:

Fair value hedge - This represents a hedge of exposure to changes in the fair value of recognized assets and liabilities or of unrecognized firm commitments, or a portion of both, which is attributable to a specific risk and which may affect earnings. The primary position for the risk hedged is valued at market and the hedging derivative instrument at market, and the net effect is recorded in earnings under the heading “Net gain on financial assets and liabilities”. In fair value hedges, the adjustment to the book value for the valuation of the hedged item is presented under a separate heading on the consolidated balance sheet.

Cash flow hedge - This represents a hedge of 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 earnings. The hedging derivative instrument is valued at market. The portion of the gain or loss on the hedging instrument that is effective in the hedge is recorded within the comprehensive income account and the ineffective part is recorded in earnings as part of “Net gain on financial assets and liabilities”.

Any remaining gain or loss of the hedging instrument is recognized directly in earnings.

The Group suspends hedge accounting when the derivative instrument has matured, been sold, is canceled or exercised, when the derivative financial instrument does not attain a high degree of effectiveness to the compensation changes in the fair value or cash flows of the hedged item, or when the hedge designation is canceled.

By ending to apply fair value hedge accounting on a prospective basis, any adjustment to the book value for the valuation of the hedged item attributable to the hedged risk is amortized in earnings. The amortization is performed and based on the straight-line method during the remaining life of the hedged item.

By suspending cash flow hedge accounting, the accrued gain or loss related to the effective part of the hedging derivative that was recorded in the stockholders' equity as part of comprehensive income, remains in stockholders' equity until the effects of the forecast transaction or firm commitment affect earnings. If it is no longer probable that the firm commitment or the forecast transaction will take place, the gain or loss that was recognized in the comprehensive income account is recorded immediately in earnings. When the hedge of a forecast transaction initially qualified for hedge accounting, but subsequently is not highly effective, the effects accumulated in comprehensive income within the stockholders' equity are proportionally carried to earnings to the degree that the forecast asset or liability affects earnings.

Packages of derivative instruments valuated on a recognized market as a single instrument are mutually recognized and valued (namely, without individually disaggregating each derivative financial instrument). Packages of derivative instruments which are not valuated on a recognized market are recognized and valued in a disaggregated manner for each component derivative.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the hedged item, as part of the heading of "Derivatives" of 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 an independent derivative. An embedded derivative causes certain cash flows required by the contract (or even 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 (for example, in structured transactions).

An embedded derivative is separated from the host contract for purposes of valuation and receives the accounting treatment of a derivative if all the following characteristics are:

a) The economic characteristics and risks of the embedded derivative are not 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 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 (for example, a stable and liquid currency which is commonly used in local transactions, or in foreign trade transactions).

Credit portfolio - Represents the outstanding balance of cash disbursed to borrowers, plus the uncollected accrued interest. The “Allowance for loan losses” is presented as a reduction to the balances of the portfolio.

The Financial Group must classify their portfolios under the following headings:

a. *Commercial:* direct or contingent loans, including bridge loans denominated in Mexican pesos or foreign currency, investment units, multiples of the minimum wage (VSM) and accrued interest, granted to entities or individuals with business activities for commercial or financial purposes. These loans include those granted to financial entities other than interbank loans for periods of less than three business days, those involving factoring transactions or finance lease transactions performed with entities or individuals; credits granted to trustees acting under the auspices of trusts and credit schemes generally known as “structured” in which a net worth effect allows the associated risks to schemes be individually evaluated. Also included are the credits 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 the Mexican Treasury Department and Banco de México.

b. *Housing mortgage:* direct loans denominated in Mexican pesos, foreign currency, investment units or Minimum Daily Wage (SMG), as well as the interest generated, granted to individuals and intended for the acquisition, construction, remodeling or improvement of housing, without any speculative purpose; including those liquidity credits guaranteed by the borrower’s home and those granted for such purposes to the former employees of the credit Institution. 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 credits granted for such purposes to the former employees of the states and those liquid credits 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, UDIS or VSM, as well as any interest generated, 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 credits for financial leases which are carried out with individuals, including those credits granted for such purposes to the former employees of the entities.

Performing loan portfolio - The Financial Group has the following criteria to classify the loans as performing portfolio:

– Loans that are current in the payments of both principal and interest.
– Loans that do not demonstrate the characteristics of non-performing portfolio.
– Restructured or renewed loans which have evidence of sustained payment.

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

– Loans with a single payment of principal and interest at maturity are considered non-performing 30 days after the date of maturity.
– Loans with a single payment of principal at maturity and with periodic interest payments are considered non-performing 90 days after interest is due or 30 days after principal is due.
– Loans whose principal and interest payments have been agreed in periodic installments are considered non-performing 90 days after an installment becomes due.

– If loans are composed by revolving credits with two outstanding monthly billing periods or, if the billing period is not monthly, when payments have been outstanding for 60 or more days.
– Mortgage loans with periodic partial payments of principal and interest and are considered non-performing when a payment is 90 days or more non-performing.
– Customer checking accounts showing overdrafts will be reported in the non-performing portfolio at the date of the overdraft.
– If the borrower is declared bankrupt, except for:

  i. Loans for which the Financial Group continues receiving payment under the terms of that established in section VIII of article 43 of the Commercial Bankruptcy Law, or,

  ii. Must be granted under the terms of Article 75, in relation to sections II and III of article 224 of the aforementioned Law.

– The highly liquid notes referred to in Accounting Criterion B-1, Funds available, issued by the Commission, when they were not collected within the deadline (two or five days, as the case may be).

Non-performing portfolio which are restructured or renewed will remain in the non-performing portfolio, until there is evidence of sustained payment; i.e., performance of payment by the borrower without arrears for the total amount due and payable in terms of principal and interest, for at least three consecutive installments under the credit payment scheme, or in the case of credits with installments that cover periods in excess of 60 calendar days, the payment of one installment as established in the accounting criteria of the Commission.

The credit payments referred to by the preceding paragraph must cover at least 20% of principal or the total amount of any interest accrued under payment restructuring or renewal schemes. However, accrued interest recognized in memoranda accounts is not considered for this purpose.

Furthermore, loans with a single payment of principal upon maturity and periodic payments of interest that are restructured or renewed during the credit term, are classified as non-performing portfolio until there is evidence of sustained payment, as well as those in which at least 80% of the original term of the credit has not elapsed, which did not cover the total amount of the accrued interest or cover the principal of the original amount of the credit, and which should have been settled as of the date of renewal or restructuring in question.

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

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

Transfers to non-performing portfolio - When the repayments of commercial loans or accrued interest are not collected in accordance with the payment scheme, the total amount of principal and interest is transferred to non-performing portfolio, under the following circumstances:

- When it is known that the borrower is declared bankrupt, in accordance with the Commercial Bankruptcy Law; or

- When the repayments have not been fully settled under the original terms, as follows:

- Loans with a single payment of principal and interest upon maturity are transferred to non-performing portfolio when the payment is 30 or more days in arrears;

- Loans with a single payment of principal upon maturity and periodic payments of interest are transferred to non-performing portfolio when interest payments are 90 or more days in arrears, or when principal payments are 30 or more days in arrears;

- Loans with periodic payments of principal and interest, including housing loans are transferred to non-performing portfolio when payments are 90 or more days in arrears;

- Revolving loans are transferred to non-performing portfolio when payment is non-performing by two monthly billing periods or, as the case may be, 60 or more days.

Non-performing loans are transferred to the performing portfolio if there is evidence of sustained payment, which consists of proper compliance by the borrower without delay, for the total due and payable amount of principal and interest for a minimum of three consecutive payments under the loan payment scheme or, in the case of loans with payments that cover periods in excess of 60 days, sustained payment is achieved with a single payment.

In the case of operating leases, it is recognized as expired amount of amortization that has not been paid in full, within 30 calendar days of default. The accumulation of accrued uncollected income is also suspended when the lease has three non-performing rent payments under the scheme. While the operation is maintained in nonperforming loans, control of the income accrued is carried in Memorandum accounts.

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 compliance by the borrower without arrears 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.

Restructuring and renewal processes - Credit restructurings consist of extensions of collateral which cover the disbursements taken by the borrowers, as well as modifications to the original conditions contracted for the loans with regard to the payment scheme, interest rates or currency, or granting a grace period during the credit term.

Loan renewals are operations in which the repayment term is extended during or upon the maturity of the loan or when it is settled at any time with financing derived from another loan contracted with the Financial Group by same borrower or another party, which due to common equity relationships with the original borrower, constitute common risks. Notwithstanding the above, a loan will not be considered renewed due to dispositions made during the effective term of a pre-established line of credit, provided that the borrower has settled the total amount of the payments due and payable therefrom under the original credit conditions.

Loans with a single payment of principal and/or interest upon maturity which are restructured during the credit term or renewed at any time are considered as non-performing portfolio as long as there is no evidence of sustained payment.

Credits granted under a line of credit, revolving or otherwise, which are restructured or renewed at any time, may be kept in performing portfolio provided that there are elements to substantiate the payment capacity of the borrower.

Furthermore, the borrower must have:

a. Settled the total amount of due and payable interest, and

b. Covered the total amount of payments due and payable under the terms of the contract at the date of the restructuring or renewal.

Credit dispositions made under a line of credit, when they are restructured or renewed independently from the underlying line of credit, must be assessed in accordance with the present section based on the characteristics and conditions applicable to the restructured or renewed disposition or dispositions. When based on such analysis it is concluded that one or more dispositions granted under a line of credit have to be transferred to non-performing portfolio as a result of their restructuring or renewal and such dispositions, whether individually or collectively, represent at least 25% of the exercised balance of the line of credit at the date of the restructuring or renewal, such balance, as well as the subsequent dispositions, must be transferred to non-performing portfolio until there is evidence of sustained payment of the dispositions which generated the transfer to non-performing portfolio, and the total of the dispositions granted under the line of credit have fulfilled the due and payable obligations at the date of the transfer to performing portfolio.

Performing loans which are restructured or renewed, before at least 80% of the original term of the credit has elapsed, will continue to be considered performing, only when:

a. The borrower has covered the total amount of the interest accrued at the date of the renewal or restructuring, and

b. The borrower has covered the principal of the original amount of the credit which should have been covered at the date of the renewal or restructuring.

Absent compliance with all of the above conditions, they will be considered as overdue from the time they are restructured or renewed until there is evidence of sustained payment.

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

Acquisition of loan portfolios - The contractual value of the portfolio acquired must be recognized under the loan portfolio line item as of the portfolio acquisition date based on the portfolio type classified by the originator; any difference in relation to the acquisition price is recorded as follows:

a) When the acquisition price is lower than the contractual value, in earnings under “other operating income” up to the amount of the allowance for loan losses created as discussed above, and the excess as a deferred credit, which will be amortized as the respective collections are made, based on the percentage they represent of the total contractual value of the loan;

b) When the portfolio acquisition price exceeds its contractual value, it is considered as a deferred charge which is applied as outstanding amounts are collected, based on the proportion they represent of the contractual value of the credit;

c) When related to the acquisition of revolving loans, the difference will be directly recorded in earnings on the acquisition date.

For the year ended December 31, 2017, the Financial Group did not make acquisitions of loan portfolio at a discount or at a premium.

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 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 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 Group creates the allowance for loan losses based on the portfolio classification rules established in the Provisions issued by the Commission, which establish methodologies for the recognition and measurement of reserves based as follows:

Commercial loans

The Group rates commercial loan portfolio considering the Probability of Default, Loss Severity and Exposure at Default and classifies the aforementioned commercial loan portfolio into different groups and provides different variables for estimating the probability of default.

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

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

In which:

Ri = The amount of the allowance for loan losses to be created for the ith credit.
PIi = The Probability of Default of the ith credit
SPi = The Loss Severity of the ith credit.
EIi = The Exposure at Default of the ith credit.

The probability of default of each credit (PI i), will be calculated by using the following formula:

$$PI_i = \frac{1}{1 + e^{-(500 - \textit{Total Credit Score}_i) \times \frac{\ln(2)}{40}}}$$

For the above purposes:

The total credit score of each borrower is obtained by applying the following formula:

$\textit{Total Credit Score}_i = \alpha \times (\textit{Quantitative Credit Score}_i) + (1-\alpha) \times (\textit{Qualitative Credit Score}_i)$

In which:

Quantitative credit score$_i$ = Is the score obtained for the ith borrower when evaluating risk factors.

Qualitative credit score$_i$ = Is the score obtained for the ith borrower when evaluating risk factors.

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

Unsecured loans

The Loss Severity (SPi) of commercial loans which are not covered by security interests in real property, or personal or credit-derived collateral will be:

a) 45%, for Preferred Positions.
b) 75% for Subordinated Positions, in the case of syndicated loans, those which for purposes of their priority of payment are contractually subordinated in relation to other creditors.
c) 100%, for loans which are 18 months or more in arrears for the amount due and payable under the original terms.

The Exposure at Default (EIi) of each loan is determined based on the following:

I. In the case of uncommitted, utilized credit lines which can be unconditionally canceled or which can be automatically canceled at any time and without prior notice:

$$EI_i = S_i$$

II. In the case of all other credits lines:

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

In which:

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

Authorized Credit Line: The maximum authorized credit line amount at the rating date.

The Group may recognize the security interests in real property, or personal or credit-derived collateral when estimating the Loss Severity of loans, so as to reduce portfolio rating reserves.

In any case, it can opt to not recognize credit enhancements if they result in larger reserves. For this purpose, the Provisions established by the Commission are utilized.

Loans granted under the Commercial Bankruptcy Law

On March 26, 2016, the Commission issued a Ruling which modifies the Provisions, whereby it adjusts the methodology applicable to the classification of commercial credit portfolio for credits granted under sections II and III of article 224 of the Commercial Bankruptcies Law in order to make it more consistent with the modifications made to such statute on January 10, 2016.

This methodology mainly contemplates the consideration of collateral created under the terms of Article 75 of the Commercial Bankruptcy Law for the determination of the Severity of the Loss by applying certain adjustment factors or discount percentages for each type of admissible security interest in real or personal property.

As discussed above, in the case of loans granted under Section II of Ar*ticle 224 of the Commercial Bankruptcy Law, the Severity of the Loss will be subject to the following treatment:*

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

In which:

Collateral = Any collateral created under the terms of Article 75 of the Commercial Bankruptcy Law by applying, as the case may be, the respective adjustment factors or discount percentages to each type of admissible security interest in real or personal property.

Adjusted Estate = The Estate, as this term is defined in the Commercial Bankruptcy Law, deducting the amount of the obligations referred to in Section I of Article 224 of such law, and applying a 40% discount to the resulting amount.

Si = Unpaid balance of the loans granted under section II of article 224 of the Commercial Bankruptcy Law as of the classification date.

In the case of loans granted under Section III of Article 224 of the Commercial Bankruptcy Law, the Severity of the Loss will be subject to the following treatment:

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

In which:

Adjusted Estate = The Estate, as this term is defined in the Commercial Bankruptcy Law, deducting the amount of the obligations referred to in Section I of Article 224 of such law, and applying a 40% discount to the resulting amount.

Si = Unpaid balance of the loans granted under Section II of Article 224 of the Commercial Bankruptcy Law as of the classification date.

Credit portfolio of States and Municipalities

When classifying the credit portfolio of States and municipalities, the 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:

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

In which:

Ri = Amount of allowance for loan losses to be created for the nth credit.
PIi = Probability of Default on the nth credit.
SPi = Loss Given Default on the nth credit.
EIi = Exposure at Default on the nth credit.

The Probability of Default on each credit (PI i), will be calculated by using the following formula :

$$PI_i = \frac{1}{1 + e^{-(500 - \textit{Total Credit Score}_i) \times \frac{\ln(2)}{40}}}$$

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

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

Where:

PCCt = Quantitative Credit Score = IA+ IB + IC
PPCl = Qualitative Credit Score = IIA + IIB
α = 80%
IA = Average number of days in arrears with banks (IFB) + % of timely payments with IFB + % of timely payments with non-bank financial institutions.

IB = Number of recognized ratings agencies in accordance with the provisions which provide a rating to the State or Municipality.

IC = 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 = Local unemployment rate + presence of financial services of regulated entities.

IIB = Contingent obligations derived from retirement benefits to total adjusted revenues + operating balance sheet to local GDP + level and efficiency of collections + soundness and flexibility of the regulatory and institutional framework for the approval and execution of the budget + soundness and flexibility of the regulatory and institutional 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 Loss Given Default (SPi) on the credits granted to States or Municipalities which have no real, personal or credit-based collateral will be:

a. 45%, for Senior Positions.

b. 100%, for Subordinated Positions or when the credit reports 18 or more months of payment arrears for the amount due and payable under the terms originally agreed.

The Exposure to Default on each credit (EIi) will be determined based on the following:

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

In which:

Si = The unpaid balance of the nth credit at the classification date, which represents the amount of credit effectively 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 credits in non-performing portfolio.

Credit Line Authorized = Maximum authorized amount of the credit line as of the classification date.

The Group may recognize the real collateral, personal collateral and credit-based collateral in the estimate of the Loss Given Default on the credits, with the aim of reducing the allowance derived from the portfolio classification. For such purpose, they will use the provisions established by the Commission.

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

Mortgage loan portfolio

On January 6 and June 26, 2017, the Commission issued a resolution which modifies the Provisions, by means of made certain adjustments to the methodology applicable to the rating and calculation of the allowance for loan losses corresponding to the mortgage portfolio, incorporating aspects such as the level of indebtedness, the payment of the system behavior and the specific risk profile of each product, being that the previous models of qualification and provisioning only incorporate information at the credit level. In addition, the Commission can update and adjust the risk parameters of the PIi, the SPi and the EIi for the rating of this loan portfolio and the calculation of the allowance for loan losses.

When classifying the housing mortgage loan portfolio, considers the type of credit, the estimated Probability of Default of the borrowers, the Loss Given Default associated with the value and nature of the loan collateral and the Exposure at Default.

Furthermore, the Financial Group classifies, creates and records the allowances for loan losses on the mortgage loan portfolio as follows:

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

If the billing is half monthly or weekly, the due and payable amounts of the two half months or four weeks 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 - Totals the 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 half monthly or weekly, the payments made for the two half months 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 SMG

$$\text{Value of Home 1st. Stage} = \frac{SMG_{\ 31/DIC/1999}}{SMG_{\ \text{in the month of the orgigination}}} \text{ x Value of Home at Origination}$$

In which:

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)..

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

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

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

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.

Days in Arrears- Number of calendar days at the classification date during which the borrower did not fully settle the due and payable amount under the terms originally agreed.

Loan Denomination (MON) - This variable will take the value of one (1) when the housing loan is denominated in Investment Units (UDI), minimum wages or a currency other than Mexican pesos, and zero when it is denominated in Mexican pesos.

Completion of File (INTEXP) - This variable will take the value of one (1) if the selling party of the real estate property participated in obtaining the proof of income or in contracting the appraisal, and zero in any other case.

The total amount of reserves to be created by the Group will be equal to the allowance for loan losses, as follows:

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

In which:

Ri = Amount of allowances for loan losses to be created for the nth credit..
PI_i = Probability of Default on the nth credit.
SPi = Loss Given Default on the nth credit.
EIi = Loss Given Default on the nth credit.

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.

Consumer loan portfolio

Methodology for the determination of the preventive allowance for loan losses applicable to the credit portfolio of non-revolving consumer and mortgage loans.

On January 6 and June 26, 2017, the Commission issued resolutions that modified the Provisions by means of which it made certain adjustments to the methodology applicable to the rating and calculation of the allowance for loan losses corresponding to the mortgage portfolio for housing, incorporating aspects such as the level of indebtedness, the payment behavior of the system and the specific risk profile of each product, since the previous rating and provisioning models only incorporate information at the credit level. In addition, the Commission considered it appropriate to update and adjust the risk parameters of the PIi, the SPi and the EIi for the rating of this loan portfolio and the calculation of the allowance for loan losses.

On August 27, 2016, the Commission made certain adjustments to the methodology applicable to the classification of consumer loan portfolio in order to recognize in such classification the expected losses coverage scheme, known as pari passu or first losses.

The Financial Group classifies the non-revolving consumer portfolio in accordance with the provisions of the Provisions as follows:

- ABCD (B): Credits 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): Credits that are granted to individuals and whose destination is the acquisition of private automotive vehicles.

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

- Personnel (P): Credits that are collected by the Financial Group by any means of payment other than the payroll account, as well as credits 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 credit, different from the ABCD, Auto, Payroll or Personal categories.

The total amount of the preventive 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:

Ri = Amount of reserves to be constituted for the ith credit.
PIiX = Probability of Non-compliance of the ith credit, classified as “B, A, N, P or O”, respectively.
SPiX = Severity of the Loss of the ith credit, classified as “B, A, N, P or O”, respectively.
EIiX = Exposure to Default of the ith credit.
X = Superscript indicating whether the type of credit corresponds to ABCD (B), auto (A), paysheet (N), personal (P) or other (O).

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

Consumer loan portfolio related to credit card transactions

The allowances for credit card losses are calculated by considering a base credit by credit, 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 companies, as well as viii) seniority of the borrower in the Group.

Provisioning and classification by degree of risk

The total amount of reserves 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 credit 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 accounts receivable, net - The amounts corresponding of various debtors of the Financial Group that are not recovered within 90 or 60 days after their initial recording (depending on whether the balances are identified or not), are reserved at the expense of the net income regardless of the probability of recovery.

The balances of the active and passive clearance accounts represent the operations for sale and purchase of currencies and securities that are recorded on the day they are completed.

Debtors for premium- Uncollected premiums receivable are canceled within the period stipulated by the Law of the insurance contract and the applicable regulations, releasing the reserve for risks in progress and in the case of rehabilitations, the reserve is reconstituted from the beginning of the validity of the insurance.

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 until 12	10%
More than 12 until 18	20%
More than 18 until 24	45%
More than 24 until 30	60%
More than de 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 issued.

Reserve for real estate assets	
Time elapsed since collection or payment in kind (months)	**Reserve percentage**
Up to 12	0%
More than 12 until 24	10%
More than 24 until 30	15%
More than 30 until 36	25%
More than 36 until 42	30%
More than 42 until 48	35%
More than 48 until 54	40%
More than 54 until 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 until such date. The related depreciation and amortization are recorded by applying a percentage determined based on their estimated economic useful lives or, in the case of leasehold improvements, based on the period for which contracts are executed with leaseholders, which is an average of five years, extendable for another similar period when requested by the leaseholder.

The consolidated financial statements present the cost of these assets, less accumulated depreciation. Depreciation is calculated by the straight-line method on the cost of the assets as follows:

	Tasa
Real estate	5%
Computer equipment	30%
Furniture and equipment	10%
Transportation equipment	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 Financial Group 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 financial statements of such promoted companies, and is recorded in results for the year under "Equity in results of unconsolidated subsidiaries and associates", and in stockholders' equity, under "Result from holding nonmonetary assets", respectively.

As of December 31, 2017 and 2016, the financial statements of the promoted companies used in the valuation of the investments are as of September 30, 2017 and 2016, respectively, or on acquisition dates for promoted companies that are acquired September of each year.

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.

Income taxes - Income tax (ISR) is recorded in earnings of the year in which they are incurred. Management determines, based on financial and tax projections, whether the Financial Group and its subsidiaries will incur ISR, and deferred taxes are recognized based on which tax system the Financial Group is expected to primarily be subject to. The Financial Group determines the deferred tax on the temporary differences, tax losses and tax credits, from the initial recognition of the items and at the end of each period. The deferred tax derived from the temporary differences is recognized by using the assets and liabilities method, which compares the accounting and tax values of the assets and liabilities. This comparison produces deductible and taxable temporary differences, which along with tax losses and the tax credit from the un-deducted allowances for loan losses, are then multiplied by the currently enacted tax rate that is projected to be in effect when the temporary differences will reverse, or when the tax benefit carryforward is realized.

The Financial Group 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 earnings or stockholders' equity, depending on the classification of the item originating the anticipated deferred tax.

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 from the date of acquisition until that date.

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 price paid over the fair value of the net assets of the Financial Group acquired on the acquisition date, is not amortized and is subject to impairment tests at least once a year.

Acquired intangible assets - The intangible assets arising from the acquisition of business during the 2016 financial year of BSI and HF Wal-Mart are recognized in the balance sheet. The valuation of the intangible asset must be made considering the 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 when detecting any sign of impairment that could indicate that this book value might not be recoverable, by considering the higher of the present value of net future cash flows or the net sales price, in the event of its disposal. The impairment is recorded when the book value exceeds the higher of the aforementioned values. The impairment indicators considered for this purpose are, among others, operating losses or negative cash flows generated during the period, combined with a history or projection of losses, depreciation and amortization charged to earnings as revenue percentages, are significantly higher than those of prior years, the services rendered, competition and other economic and legal factors.

Acceptance of funds - Liabilities from acceptance of funds through liquid and term 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 traditional acceptance of funds 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 caption Commissions and charges paid, 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 caption “Other assets”.

Technical reserves -

a. Technical reserves

By provision of the National Insurance and Bonding Commission (CNSF), all technical reserves must be reviewed annually by independent actuaries.

In regards to 2017

On February 28, 2018, the independent actuaries issued their opinion in which they indicated that the technical reserves of the Financial Group as of December 31, 2017 and 2016, were determined in accordance with the legal provisions and in accordance with rules, criteria and practices established and permitted by the Commission and constitute, a reasonable amount to confront its contractual obligations, in accordance with the legal provisions in vigor.

The reserves are valued and constituted in accordance with the provisions of articles 218, 219, 221 and 222 of the Insurance and Bonding Institutions Law (LISF), as well as that indicated in Title 5 of the Technical Reserve, the Provisions for Insurance and Bond Institutions (CUSF) and other applicable provisions. They are recorded in liabilities for technical reserves against the corresponding increase or decrease in the income items. Its registration is made monthly, for each operation, division and sub-division according to the result of the valuation.

In accordance with the provisions laid down by the Commission, 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 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 is It 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 the Insurance Institution 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 the Insurance Institution 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.

ATo 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. 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 company 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 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.

La reserva de contingencia deberá constituirse, al momento de que una fianza inicie su vigencia, por un monto equivalente al 15% de la prima de reserva resThe 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) ***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.

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, 2017 and 2016 is $420,724 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.

c) 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.

***Liabilities, provisions, contingent assets and liabilities and commitments* -** Liability provisions are recognized when: (i) there is a present obligation (legal or assumed) as a result of a past event, (ii) it is probable the outflow of economic resources as a required to settle the obligation and (iii) the obligation can be reasonably estimated.

The Financial Group records contingent liabilities only when there is a high probability of outflow of resources.

Employee profit sharing (PTU) - The PTU is recorded in the results of the year in which it is caused. On the occasion of the Fiscal Reform 2016, as of December 31, 2017 and 2016, the PTU is determined based on the taxable income according to fraction I of article 10 of the ISR Law.

The PTU is recorded in the results of the year in which it is caused. On the occasion of the Fiscal Reform 2014, the PTU is determined based on the taxable income according to fraction I of article 10 of the Income Tax Law. Deferred PTU is determined by the temporary differences resulting from the comparison of the accounting and tax values of the assets and liabilities and is recognized only when it is probable the settlement of a liability or generate a profit and there is no indication that it will to change that situation, in such a way that said liability or benefit is not realized.

The impact on the income statement of current and deferred PTU as of December 31, 2017 and 2016 was $287 and $228, respectively. As of December 31, 2017 and 2016, the deferred PTU liability amounted to $708 and $686, respectively.

Assets and liabilities in Investment Units (UDI's)* -** Assets and liabilities denominated in UDI's 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, 2017 and 2016, the value of the UDI (in pesos) was $5.934551 and $5.562883, respectively. The value of the UDI at the date of issuance of these consolidated financial statements, February 28, 2018 is $6.002620.***

***Recognition of interest* -** Interest generated on performing loan credits is recognized and applied to results as it is accrued. Penalty interest on non-performing portfolio is recorded in results at the time it is collected, and its accrual is controlled in memorandum accounts. -Interest returns on financial instruments are applied to results on an accrual basis.

The amortization of commissions collected in the initial granting of loans and for loan restructurings is recognized as interest income.

The interest on liability transactions is recorded in results as accrued, regardless of the date on which it becomes due and payable.

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, sale and repurchase agreements and securities loans, as well as debt placement premiums, commissions charged on initial loan grants, and net equity instrument dividends.

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

Commissions charged and associated costs and expenses - Commissions charged for initial loan granting are recorded as deferred revenues under “Deferred revenues and other advances”, and are amortized to earnings under “Interest income”, using the straight line method over the life of the loan, except for those related to revolving loans, which are amortized over a 12-month period.

The commissions collected for restructuring or renewal are added to those originally generated according to the terms of the preceding paragraph and are recognized as a deferred credit which is applied to results by using the straight line method during the new credit period.

Commissions recognized after the initial loan grant, those incurred as part of the maintenance of such loans, or those collected on undrawn loans are recognized in earnings when they are incurred.

Commissions collected for credit card annual fees, whether the first or subsequent renewal fees, are recognized as deferred revenues under “Deferred revenues and other advances”, and are amortized over a 12-month period against earnings under “Commission and fee income”.

The incremental costs and expenses associated with the initial loan grant are recognized as a deferred charge and are amortized against earnings as “Interest expense” during the same accounting period in which income from collected commissions is recognized.

Any other costs or expenses, including those related to promotion, advertising, potential customers, management of existing loans (follow-up, control, recoveries, etc.) and other ancillary activities related to the establishment and monitoring of loan policies are recognized directly in earnings as incurred under the respective line item that corresponds to 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 fees collected”.

Net gain 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 is calculated by dividing the net income attributable to controlling interest from continuing operations (excluding extraordinary items) 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 accounting Criteria D-4, Statements of Cash Flows, issued by the Commission.

- Evaluate changes in the Financial Group's assets and liabilities and in its financial structure.

- Evaluate both the amounts and the dates of collection and payment, in order to adapt to circumstances and opportunities for generation and/or application of 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 securities received in custody, repurchase agreements on account of customers, securities loans transactions on account of customers and collateral received as surety on account of customers:*

The operations of "Settlement of customer transactions", "Customer securities received in custody", "Repurchase agreements on account of customers", "Securities loan transactions on account of customers" and "Collateral received as surety on account of customers" were valued based on the price provided by the price supplier.

a. Securities in custody and administration are deposited in the company S. D. Indeval, S.A. de C.V. (S.D. Indeval).

– *Credit commitments:*

The balance represents the amount of letters of credit granted by the Financial Group which are considered as irrevocable commercial loans not utilized by the borrowers, and includes credit lines granted to customers which have not been exercised. The items recorded in this account are subject to qualification.

– *Assets in trust under mandate:*

The value of the assets received in trust is recorded as assets held in trust, and the data related to the management of each one are kept in independent records. The declared value of the assets comprising the subject matter of the agency agreements executed by the Financial Group is recorded as assets held under agency agreement.

– *Assets in custody or under administration:*

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.

– *Collateral received by the Financial Group:*

This balance represents the total collateral received in repurchase agreements when the Financial Group acts as the purchasing party, and the collateral received in a securities loan transaction in which the Financial Group acts as the lender and the securities received when the Financial Group acts as the borrower.

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

This balance represents the total 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. Furthermore, the balance representing the obligation of the borrower (or lender) to repay the value subject matter of the securities loan transaction to the lender (or borrower) assumed by the Financial Group, is reported in this heading.

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

The interest accrued is recorded in memorandum accounts once a performing portfolio credits is transferred to non-performing portfolio.

– *Other record accounts:*

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.

– *Guarantees issued:*

Through the guarantees issued, the Financial Group supports the payment capacity of an obligation in case of default, so until the event occurs the guarantee will materialize. Meanwhile, it represents only a commitment that is recorded in memorandum accounts.

4. Basis of consolidation

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

	2017 % Equity percentage	2016 % Equity percentage
Asesoría Especializada Inburnet, S.A. de C.V.	99.9993%	99.9993%
Banco Inbursa, S.A.	99.9997%	99.9997%
Fianzas Guardiana Inbursa, S.A.	99.9999%	99.9999%
Inversora Bursátil, S.A. de C.V., Casa de Bolsa	99.9956%	99.9956%
Pensiones Inbursa S.A.	99.9999%	99.9999%
Operadora Inbursa de Fondos de Inversión, S.A. de C.V.	99.9985%	99.9985%
Out Sourcing Inburnet, S.A. de C.V.	99.9980%	99.9980%
Seguros Inbursa, S.A.	99.9999%	99.9999%
SAI Inbursa S.A. de C.V.	99.9980%	99.9980%
SP Inbursa, S.A. de C.V.	99.9990%	99.9990%

5. Net monetary position in foreign currency

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

	2017	2016
Assets (USD)	12,112,875,627	13,403,837,346
Liabilities (USD)	11,900,508,785	13,417,820,715
Net monetary position (USD)	212,366,842	(13,983,369)
Exchange rate (pesos)	$ 19.66	$ 20.61
Total (pesos)	$ 4,175	$ (288)

The exchange rate to settle operations at the date of issuance of these consolidated financial statements issuance (February 28, 2018) is $18.8331 Mexican pesos.

In accordance with regulations established by Banxico, the daily net monetary position in foreign currency maintained by the financial institution must be managed such way that it does not exceed 15% of net equity. As of December 31, 2017 and 2016, the Financial Group is in compliance with this regulation.

6. Funds available

As of December 31, funds available were as follows:

	2017	2016
Deposits in Banxico (a)	$ 13,196	$ 9,033
Foreign currency purchase-sale transactions settled in 24-48 hours (b)	3,450	6,933
Call Money (c)	-	204
Cash	2,124	1,995
Deposits in local and foreign banks	2,267	947
Other	28	33
	$ 21,065	$ 19,145

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

	2017	2016
Special accounts [1]		
Deposits of monetary regulation [2]	$ 13,037	$ 9,026
Accrued interest	7	3
Current accounts:		
Deposits in US dollar	152	4
	$ 13,196	$ 9,033

(1) Banxico requires financial institutions to constitute compulsory deposits, which are established according to traditional deposits in local currency. As the term of this compulsory deposit is indefinite, the Central Bank will timely notify the date and procedure to withdraw the respective balances. Interest accrued on this deposit is based on the Weighted Average Funding Rate.

As of December 31, 2017 and 2016, the Single Account of Banco de México is composed mainly of the Monetary Regulation Deposits of the Financial Group in the Bank of Mexico, which amount to $13,037 and $9,026, respectively. These Deposits of Monetary Regulation will have an indefinite duration and Banxico will inform in advance the date and the procedure for the withdrawal of the balance thereof. Interest on deposits is payable every 28 days applying the rate established in the regulation issued by Banxico.

Banxico through provision 9/2014 dated June 17, 2014, established that the monetary regulation deposits may be composed of cash, securities or both. As a result of this, the Financial Group acquired Monetary Regulation Bonds of Limited Negotiability (BREMS L) issued by Banco de México, which were liquidated with funds from the monetary regulation cash deposit maintained by the Financial Group. Subsequently, on November 24, 2016, Banco de México through circular 18/2016, published the BREMS L swap auction rules for Reportable Monetary Regulation Bonds (BREMS R), allowing interested credit institutions to perform said swap through auctions. The Financial Group made the exchange of the BREMS L held in its position by BREMS R. The amount of BREMS R as of December 31, 2017 and 2016 were $5,308 and $5,306, respectively, and are classified under the heading of Investments in Securities as "Trading securities" (Note 8).

b. ***Foreign currency purchase-sale transactions (settled in 24-48 hours)*** - This item refers to purchase-sale operations involving foreign currency, which mature over periods not exceeding two business days, and which remain classified as restricted cash until then. For the years ended December 31, 2017 and 2016, foreign currency transactions were as follows:

	2017		
	Purchase (sale) of foreign currency	Exchange rate average value	Mexican pesos (in millions)
Purchase of foreign currency (US dollar)	$ 209,500,000	$ 19.6524	$ 4,117
Sale of foreign currency (US dollar)	(34,017,259)	19.6597	(669)
	175,482,741		3,448
Exchange rate at the end of the period (pesos)			
	$ 19.6629		
Net monetary position (local currency)			
Purchase of foreign currency (US dollar)	$ 3,450		

		2016		
		Purchase (sale) of foreign currency	**Exchange rate average value**	**Mexican pesos (in millions)**
Purchase of foreign currency (US dollar)	$	451,976,403	20.6633	9,339
Sale of foreign currency (US dollar)		(115,742,959)	20.6633	(2,391)
		336,233,444		6,948
Exchange rate at the end of the period (pesos)				
	$	20.6194		
Net monetary position (local currency)				
Purchase of foreign currency (US dollar)	$	6,933		

When registering the currencies to be delivered or received for sales and purchases under the heading of "Funds available", the liquidating accounts of the counter value of these operations are recorded in the consolidated balance sheet under the headings "Other accounts receivable, net" and "Creditors from settlement of transactions".

c. ***Call Money*** **-** The Call Money transactions represent interbank loan operations agreed for a term less than or equal to 3 business days. As of December 31, 2016, balance related to these operation was as follows:

		2016	
	Amount	**Interest rate**	**Maturity (days)**
Local banks	$ 204	5.75%	3

As of December 31, 2017, there were not agreed call money operations.

7. Margin accounts

Margin account deposits are necessary for the Financial Group to operate derivative contracts in the derivatives exchange. These are restricted until the operations expire. These deposits are carried out to ensure compliance with financial obligations concerning derivative operations to which the Financial Group is subject to (Note 10).

As of December 31, 2017 and 2016, the margin accounts for futures were as follows:

	2017	**2016**
Chicago Mercantil Exchange (CME)	$ 241	$ 3,584
Mexican Derivatives Market (Mercado Mexicano de Derivados - MexDer)	-	1,311
	$ 241	$ 4,895

For the years ended December 31, 2017 and 2016, these deposits generated interest income of $50 and $15, respectively.

8. Investment in securities

As of December 31, the investments in marketable securities were as follows:

a. Trading securities

	2017				2016
	Acquisition cost	Accrued interests	Gain (Loss)	Total	Total
Corporate Debt	$ 3,815	$ 62	$ 81	$ 3,958	$ 5,445
Unsecured Bonds	18,545	207	(65)	18,687	7,007
Stock	7,708		11,933	19,641	20,508
Federal Treasury Securities (CETES)	36,574	294	(9)	36,859	50,199
Bank promissory note	166	-	2	168	237
CEDES	5,430	3		5,433	6,783
Eurobonds	858	13	124	995	21
Euronotes	-	-	-	-	948
PRLV	1,021	10	-	1,031	6,529
Commercial paper	7,688	41	-	7,729	-
Fixed rate bond	889	55	90	1,034	-
BREMS	5,304	4	-	5,308	5,306
Others	4,529	60	232	4,821	3,995
	$ 92,527	$ 749	$ 12,388	$ 105,664	$ 106,978

As of December 31, 2017 and 2016, the maturity period approximately of debt instruments classified as trading securities less than three years were 60.87% and 10.43% respectively.

As of December 31, the main ratings given by a rating agency to debt securities classified as trading are as follows:

Rating (mex)	% regarding the balance of negotiable instruments 2017	2016
A	3.43%	-
AA-	0.63%	-
AA+	8.29%	4.02%
AA	0.04%	-
AAA	68.26%	65.71%
B	0.86%	-
B-	0.04%	-
BB-	-	3.74%
BBB	2.94%	4.62%
BBB-	2.28%	-
BBB+	3.37%	2.23%
B+	-	0.97%
CCC	-	1.82%
F1+	-	2.98%
Others	9.86%	13.91%
	100.00%	100.00%

b. ***Available for sale securities* -** As of December 31, the investments in corporate debt securities, were as follows

	2017				2016
	Acquisition Cost	Accrued Interest	Interest (Loss)	Total	Total
Unsecured Bonds	$ 4,817	$ 55	$ 691	$ 5,563	$ 7,607
Stock	46	-	43	89	87
Other	990	32	(5)	1,017	557
Eurobonds	1,611	35	36	1,682	1,447
Total of available for sale securities	$ 7,464	$ 122	$ 765	$ 8,351	$ 9,698

The Financial group manages, supervises and monitors the credit quality of investments in securities that are not impaired, through the rating granted by two securities ratings to the issues that form part of the position that has a rating higher than "BBB".

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

	2017				2016
	Acquisition Cost	Accrued interest	Gain	Total	Total
Securities certificates	$ 2,728	$ 31	$ 377	$ 3,136	$ 7,761
Bank securities certificates	-	-	-	-	511
Depositary receipt	600	16	423	1,039	522
Udibonos	15,428	28	327	15,783	1,123
Obligations	-	-	-	-	1,065
Segregable securities certificates udis	-	-	-	-	2,854
Others	-	-	-	-	2,111
	$ 18,756	$ 75	$ 1,127	$ 19,958	$ 15,947

As of December 31, 2017 and 2016, the Financial Group has no positions in debt securities, other than government securities issued by an issuer that represent more than 5% of net capital Financial Group.

9. Sale and repurchase agreements

a. ***Repurchase agreements* -** As of December 31, debtors under repurchase agreements were as follows:

	2017		2016	
	Receivables from repurchase agreements	Creditors in repurchase agreements	Receivables from repurchase agreements	Creditors in repurchase agreements
Negotiated price (1)	$ 44,598	$ 39,287	$ 38,714	$ 11,101
Accrued premium	284	251	110	114
	44,882	39,538	38,824	11,215
Less:				
Collaterals sold or pledged as guarantees (2)	36,698	35,845	38,515	-
	$ 8,184	$ 3,693	$ 309	$ 11,215

(1) As of December 31, 2017 and 2016, the average period for the repurchase agreements is between 3 and 7 days, respectively.

(2) As of December 31, 2017 and 2016, this item relates to repurchase agreements in which the Financial Group acted as purchaser, i.e. received financing, granting as a guarantee the financial instruments that were simultaneously received in guarantee from other sale agreements (in which the acted as Financial Group). The financial instruments were comprised as follows:

	2017		2016	
Federal Government Development Bonds (BONDES)	$	26,384	$	29,157
Securities certificates		10,314		9,358
Recognized value	$	36,698	$	38,515

b. ***Premiums earned and paid -*** For the year ended December 31, 2017 and 2016, the total amount of premiums earned and paid for sale and repurchase agreements were as follows:

	2017		2016	
Premiums earned (purchaser) (Note 35a)	$	3,167	$	1,715
Premiums paid (seller) (Note 35c)		3,213		1,789
	$	(46)	$	(74)

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

	2017		2016	
CETES	$	-	$	2,346
Federal Government Development Bonds (BONDES)		19,828		35,128
IPAB bonds		15,771		13,536
Unsecured bonds		9,229		6,842
Recognized value	$	44,828	$	57,852

10. Derivatives

As of December 31, derivative instruments positions were as follows:

	2017							
	Accounting amount				Balance Compensation			
	Asset		Liability		Asset		Liability	
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
		192,299		198,050		6,623		12,374

	2017			
	Accounting amount		Balance Compensation	
	Asset	Liability	Asset	Liability
Hedging derivatives Swaps:				
Currency swaps				
Rates - Mexican peso	19,883	32,687	-	12,803
	14,906	12,094	2,812	-
	34,789	44,781	2,812	12,803
	$ 227,088	$ 242,831	$ 9,435	$ 25,177

	2016			
	Accounting amount		Balance Compensation	
	Asset	Liability	Asset	Liability
Derivatives				
Futures	$ 30,730	$ 33,132	$ -	$ 2,402
Forward contracts	106,794	107,910	1,514	2,630
Options	-	808	-	808
Swaps:				
Currency swaps	55,561	60,383	299	5,121
Rates - US dollar	16,296	14,751	2,742	1,197
Rates - Mexican peso	46,815	45,941	3,070	2,196
	256,196	262,925	7,625	14,354
Hedging derivatives Swaps:				
Currency swaps				
Rates - Mexican peso	19,864	33,306	-	13,442
	15,670	12,421	3,249	-
	35,534	45,727	3,249	13,442
	$ 291,730	$ 308,652	$ 10,874	$ 27,796

For “Over the Counter” (OTC) operations with financial derivative instruments on unknown markets, the Financial Group arranges the delivery and/or reception of the collateral guarantees in order to mitigate credit and market risk exposure. These collaterals are arranged by contract with each of the counterparties with which the Financial Group operates.

Currently, the collaterals assigned to operations with Mexican and foreign financial entities are comprised principally of cash deposits.

On November 8, 2016, the Financial Group established swap positions in pesos for trading purposes with a notional of $29,800, which are covered by Sociedad Financiera Inbursa for $7,800 and with CF Credit Services for $12,800, which are classified as cash flow hedging operations, in both entities.

These positions generated for the Financial Group a net loss in results of $1,579 as of December 31, 2016, while in Sociedad Financiera Inbursa and CF Credit Services a profit of $1,189 and $390, respectively, which is recorded in stockholders’ equity in the heading of “Result from valuation of cash flow hedge instruments”.

As of December 31, 2017, the positions of interest rate swaps in pesos for trading purposes are maintained, with a notional of $25,400, which are covered for SOFOM Inbursa for the same amount and are classified as cash flow hedging operations.

These positions generated a net loss in results for Banco Inbursa of $1,279 as of December 31, 2017, while in SOFOM Inbursa a profit of $390, which is recorded in stockholders' equity under the heading "Result from valuation of cash flow hedge instruments"and $35 that are in results corresponding to fair value hedge.

On the other hand, as of December 31, 2016, Banco Inbursa maintained swap transactions for trading purposes with an individual notional value of $29,800 and a valuation profit of $1,568. This position for consolidation purposes is presented in the balance sheet classified as a cash flow hedge and the valuation effect is recorded in stockholders' equity under the heading "Result from valuation of cash flow hedge instruments".

As of December 31, 2017, Banco Inbursa maintains swap transactions for trading purposes with an individual notional value of $1,568 and a valuation loss of $231. This position for consolidation purposes is presented in the consolidated balance sheet as a cash flow hedge and the valuation effect is recorded in stockholders' equity under the item "Result from valuation of cash flow hedging instruments".

Delivered

Heading	2017	2016
Accounts receivable (Net)		
Memorandum accounts	$ 241	$ 4,895
Collateral and / or guarantees received	15,065	17,066
Total	$ 15,306	$ 21,961

Delivered

Heading	2017	2016
Available for sale securities		
Financial Institutions	$ -	$ 2,264

Sensitivity analysis

The valuation of financial instruments inherent in market risk derivate to the daily fluctuation of risk factors that is why the Financial Group performs a sensitivity analysis for derivatives for negotiation to contemplate possible losses due to increases in rates, exchange rates, etc. The sensitivities used to perform the analysis are + 100BPS and +500 BPS applied to the risk factors.

	MTM	MTM+100BPS	MTM+500BPS
Derivatives			
Forwards	$ (697)	$ (847)	$ (1,458)
Futures	(91)	(92)	(96)
Swaps	(1,864)	(1,887)	(1,975)
Options	(405)	(400)	(416)
	$ (3,057)	$ (3,226)	$ (3,945)

Management of policies for the use of derivative financial instruments

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
- Futures
- Trading and hedging swaps
  - Currency swaps
  - Rates swaps

- Options
  - Mexican peso, currency and udis
  - Nominal interest, real or surcharges rates and debt securities

Additionally, the Financial Group is authorized to operate in Credit Derivatives OTC 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 of a hedge or trading nature.

Trading markets:

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

Trading markets are listed and OTC, in which eligible counterparties may be domestic and foreign with internal authorizations.

The designation of calculation agents is determined in the legal documentation signed with counterparties.

The prices published by authorized Price Suppliers are used to value derivative financial instruments.

The main terms or conditions of the contracts are based on the International Swap Dealers Association (ISDA) or a local outline agreement.

The specific policies on margins, collateral and lines of credit are detailed in the internal manuals of the Financial Group.

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 Banxico, which are exercised through follow-up processes, inspection visits, information and documentation requirements and submission of reports.

Likewise, periodic reviews are performed by Internal Auditors.

Generic description of valuation techniques

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

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, 2017 and 2016, fair value and cash flow hedges are prospectively and retrospectively efficient and are located within the maximum permitted departure range.

2. Reference variables

   The most relevant reference variables are:

   - Exchange rates
   - Interest rates

3. Valuation frequency

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

As of December 31, 2017 and 2016, the number of matured derivative financial instruments and closed positions was as follows (unaudited):

Description		2017 Early Maturity	2017 Closing Positions
	Purchase	17	117
Forwards	Sell	20	137
		37	254
Swaps		76	25
Future	Purchase	133	9
	Sell	103	8
		236	17
		349	296

Description		2016 Early Maturity	Closing Positions
Forwards	Purchase	31	168
	Sell	83	178
		114	346
Swaps		76	28
Futures	Purchase	123	5
	Sell	122	-
		245	5
		435	379

a. ***Futures -*** As of December 31, 2017 and 2016, net amount of contracts of futures operations contracted with CME and MexDer were as follows:

	2017 No. of contracts			2016 No. of contracts		
	CME	MexDer	Maturity	CME	MexDer	Maturity
Purchase	5,525	-	March 2018	47,690	-	March 2017
Sell	-	-	-	-	37,800	March 2017

As of December 31, 2017 and 2016, the futures positions in CME are referred to a notional value of $2,812 and $25,243, respectively. As of December 31, 2016, the positions in Mexder are referred to a notional value of $7,144.

b. ***Forwards -*** As of December 31, 2017 and 2016, forwards operations, were as follows:

Due date	2017 Total US dollar	Settled price	Fair value	Valuation gain (loss)
Purchase:				
Jan-18	804,000,000	$ 15,247	$ 15,865	$ 618
March-18	604,275,000	11,841	11,942	101
Apr-18	2,000,000	39	40	1
May-18	2,000,000	39	40	1
Jun-18	17,000,000	328	346	18
Jul-18	4,000,000	77	83	6
Aug-18	40,000,000	785	817	32
Dec-18	10,000,000	203	209	6
Apr-19	2,000,000	41	43	2
	1,485,275,000	$ 28,600	$ 29,385	$ 785
Sell:				
Jan-18	804,000,000	$ 15,231	$ 15,864	$ (633)
Feb-18	79,752,536	1,522	1,572	(50)
Mar-18	694,275,000	13,599	13,734	(135)
May-18	93,039,875	1,822	1,849	(27)
Jun-18	17,000,000	328	346	(18)
Jul-18	130,896,934	2,509	2,607	(98)

Due date	Total US dollar		2017 Settled price		Fair value		Valuation gain (loss)
Aug-18	40,000,000		910		823		87
Sept-18	420,000,000		7,983		8,599		(616)
Dec-18	10,000,000		203		209		(6)
	2,288,964,345	$	44,107	$	45,603	$	(1,496)
Forward							
Dec-20	117,196,446	$	-	$	2,659	$	(2,659)
				Neto		$	(3,370)

Due date	Total US dollar		2016 Settled price		Fair value		Valuation gain (loss)
Purchase:							
Jan -17	130,000,000	$	2,656	$	2,687	$	31
Feb -17	85,000,000		1,747		1,764		17
Mar-17	1,998,226,804		44,001		43,098		(903)
Apr-17	2,000,000		39		42		3
Aug-17	7,000,000		133		149		16
Oct-17	5,000,000		88		107		19
Dec-17	2,000,000		40		43		3
Aug-18	40,000,000		785		891		106
	2,269,226,804	$	49,489	$	48,781	$	(708)
Sell:							
Mar-17	2,604,507,111	$	69,677	$	69,206	$	(471)
Mar-17	2,000,000		42		43		1
Jun-17	8,843,602		397		396		(2)
Jul-17	58,838,863		2,700		2,756		56
Aug-17	7,000,000		150		151		1
Dec-17	2,000,000		44		44		-
Aug-18	40,000,000		910		915		5
	2,723,189,576	$	73,920	$	73,511	$	(410)
				Neto		$	(1,118)

c. ***Swaps*** - As of December 31, 2017 and 2016, the position in swaps was as follows:

Trading		Reference amount		2017 Present value of future cash flows to be received		Present value of future cash flows to be delivered		Net valuation
Foreign currency swaps								
Mexican peso-US dollar								
2020	$	4,279	$	4,294	$	5,024	$	(730)
2021		9,911		9,946		10,146		(200)
2022		8,393		8,629		9,153		(524)
2023		12,278		12,920		13,905		(985)
2024		2,441		2,450		2,437		13
2025		2,848		2,858		2,841		17
2027		916		1,097		2,016		(919)
	$	41,066	$	42,194	$	45,522	$	(3,328)

Trading	Reference amount	2017 Present value of future cash flows to be received	Present value of future cash flows to be delivered	Net valuation
US dollar - Mexican peso				
2023	$ 8,211	$ 10,388	$ 11,469	$ (1,081)
Interest rate swaps				
US dollar				
2023	$ 309	$ 309	$ 309	$ -
2026	1,224	1,253	1,233	20
2027	14,189	7,796	7,601	195
2039	3,933	1,917	1,907	10
2041	10,028	5,522	5,419	103
2046	6,685	3,453	2,619	834
	$ 36,367	$ 20,250	$ 19,088	$ 1,162

	Reference amount	2017 Present value of future cash flows to be received	Present value of future cash flows to be delivered	Net valuation
Interest rate swaps				
Euros				
2046	$ 2,361	$ 834	$ 467	$ 367
2047	708	254	354	(100)
2049	3,305	-	-	-
	6,374	1,088	821	267
Moneda nacional				
2019	$ 4,400	$ 408	$ 288	$ 120
2020	3,971	748	654	94
2021	38,318	8,010	7,704	306
2022	13,811	3,883	3,695	188
2023	2,000	701	661	40
2024	1,000	361	360	1
2026	4,824	2,213	2,206	7
2027	4,600	2,474	2,466	8
2028	1,600	923	920	3
2029	4,600	2,626	2,613	13
2033	11,821	6,754	6,614	140
2034	8,400	5,851	5,820	31
2040	14,175	9,354	9,207	147
	113,520	44,306	43,208	1,098
	$ 205,538	$ 118,226	$ 120,108	$ (1,882)
Cash flow hedge				
Foreign exchange swap				
Mexican peso - US dollar				
2021	$ 1,217	$ 1,221	$ 2,004	$ (783)
2022	3,260	3,268	5,164	(1,896)
2023	9,247	9,282	15,090	(5,808)
2025	1,251	1,254	2,084	(830)
2028	1,693	1,698	2,878	(1,180)
2033	3,150	3,160	5,467	(2,307)
	19,818	19,883	32,687	(12,804)

	2017			
	Reference amount	Present value of future cash flows to be received	Present value of future cash flows to be delivered	Net valuation
Mexican peso				
2018	$ 2,700	$ 130	$ 106	$ 24
2019	9,700	1,205	854	351
2020	3,700	667	452	215
2021	2,350	586	443	143
2022	4,400	1,328	1,212	116
2023	4,750	1,662	1,498	164
2024	500	199	136	63
2025	200	92	85	7
2026	500	246	170	76
2028	1,300	536	425	111
2029	4,800	2,849	2,303	546
2030	800	502	370	132
2033	1,000	723	534	189
2034	6,296	3,679	3,040	639
	42,996	14,404	11,628	2,776
	$ 62,814	$ 34,287	$ 44,315	$ (10,028)
Fair Value Hedge				
Mexican peso				
2026	$ 500	$ 502	$ 466	$ 36

	2016			
Trading	**Reference amount**	**Present value of future cash flows to be received**	**Present value of future cash flows to be delivered**	**Net valuation**
Foreign exchange swap				
Mexican peso - US dollar				
2017	$ 1,765	$ 1,767	$ 2,515	$ (748)
2018	10,975	10,999	12,448	(1,449)
2019	12,761	12,788	13,483	(695)
2020	2,677	2,683	3,117	(434)
2021	2,277	2,283	2,292	(9)
2022	1,665	1,927	2,117	(190)
2023	4,593	5,318	5,851	(533)
2024	2,441	2,447	2,478	(31)
2025	2,848	2,854	2,885	(31)
2027	916	1,110	2,107	(997)
	$ 42,918	$ 44,176	$ 49,293	$ (5,117)
US dollar - Mexican peso				
2023	$ 8,610	$ 11,385	$ 11,090	$ 295
Foreign exchange swap				
US dollar				
		$	$	
2017	$ 451	1	6	$ (5)
2026	2,837	2,892	2,879	13
2027	8,207	866	624	242
2039	4,124	2,099	2,088	11
2041	10,516	5,994	5,884	110
2046	7,011	3,767	2,812	955
	$ 33,146	$ 15,619	$ 14,293	$ 1,326

Trading	2016 Reference amount	Present value of future cash flows to be received	Present value of future cash flows to be delivered	Net valuation
Interest rate swaps				
Euros				
2046	$ 2,175	$ 677	$ 457	$ 220
2047	653	-	-	-
2049	3,045	-	-	-
	$ 5,873	$ 677	$ 457	$ 220
Mexican peso				
2017	$ 6,400	$ 336	$ 281	$ 55
2018	400	47	47	-
2020	4,043	968	890	78
2021	45,334	11,413	11,174	239
2022	7,313	2,264	2,235	29
2023	1,400	530	528	2
2024	3,050	1,337	1,237	100
2026	1,892	763	755	8
2027	4,300	2,488	2,474	14
2028	1,600	984	981	3
2029	4,600	2,779	2,765	14
2033	11,910	7,195	7,046	149
2034	8,400	6,061	6,029	32
2040	11,498	9,650	9,501	149
	112,140	46,815	45,943	872
	$ 202,687	$ 118,672	$ 121,076	$ (2,404)

	2016 Reference amount	Present value of future cash flows to be received	Present value of future cash flows to be delivered	Net valuation
Cash flow hedge				
Foreign exchange swap				
Mexican peso - US dollar				
2021	$ 1,217	$ 1,220	$ 2,063	$ (843)
2022	3,260	3,265	5,319	(2,054)
2023	9,247	9,272	15,447	(6,175)
2025	1,251	1,253	2,123	(870)
2028	1,693	1,696	2,904	(1,208)
2033	3,150	3,158	5,450	(2,292)
	$ 19,818	$ 19,864	$ 33,306	$ (13,442)
Mexican peso				
2017	$ 6,300	$ 172	$ 132	$ 40
2018	11,400	1,355	1,040	315
2019	14,100	2,409	1,880	529
2020	3,700	862	623	239
2021	1,500	427	293	134
2023	1,300	532	476	56
2024	500	223	153	70
2025	200	100	93	7
2026	500	265	185	80

	2016			
	Reference amount	Present value of future cash flows to be received	Present value of future cash flows to be delivered	Net valuation
2028	1,300	591	476	115
2029	8,096	4,665	3,765	900
2030	800	532	390	142
2033	1,000	757	551	206
2034	3,000	2,279	1,900	379
	53,696	15,169	11,957	3,212
	$ 73,514	$ 35,033	$ 45,263	$ (10,230)
Fair Value Hedge				
Mexican peso				
2026	$ 500	$ 501	$ 464	$ 37

Impairment of financial derivatives -

As of December 2017 and 2016 there is no evidence of impairment in credit risk (counterparty) that required change to the book value of financial assets from rights under 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 34).

Operations with derivative financial instruments for hedge accounts -

As of December 31 2017 and 2016, the Financial Group holds swaps (Interest Rate and Cross Currency), to cover the financial margin with cash flow and fair value hedges during the period of these hedges.

Quantitative information - fair value hedges

As of December 31, 2017 and 2016, fair value hedges were entered into with notional amounts of $500 for the both periods. As of December 31, 2016, there are no swaps classified in this category. The primary positions which are covered are commercial credit loans.

As of December 31, 2016 and 2017, derivative positions for fair value hedges were as follows:

Financial instrument	Nominal value (in millions)		Element and hedged risk
Swap IRS	500	Mexican peso	Commercial loans - Interest rate risk

Cash flow hedges

During 2017 and 2016, the Financial Group assigned cash flow hedges on commercial loans and debt issuances as follows:

Financial instrument	Currency	Element and hedged risk	2017 Nominal Value	2016 Nominal Value
Swap CCS	US dollar	Commercial loans - Foreign Exchange rate risk	19,818	19,818
Swap IRS	Mexican peso	Unsecured bonds - Interest rate risk	19,896	21,096
Swap IRS	Mexican peso	Commercial loans - Interest rate risk	2,700	2,800

As of December 31, 2016 and 2017 the recycling effect generated by the anticipated maturity of cash flow swaps for each year amounts to $184 and $216 respectively, charged to stockholders' equity, of which, during 2017 and 2016 were recycled $10 and $32 with charged to the income for the year, the remaining amount of December 2017 is for $165 remaining amount will be recycled over an average term of 10 years.

	2017	2016
Amount pending recycling	$ 184	$ 216
Applied amount	(9)	-
Amount recycled in the period	(10)	(32)
Total pending recycling	$ 165	$ 184

During 2017 and 2016, the Financial Group designated certain swaps as cash flow hedging over the commercial credit loan and the debt issuances as follows:

The effective portion of the cash flow hedges recognized in stockholders' equity as part of the comprehensive income is adjusted to the lesser absolute value between the accumulated gain or loss on the hedging derivative and the accumulated change in the fair value of the cash flows of the hedged item. As of December 31, 2017 and 2016 were recognized $2 and $27, respectively, income for the year corresponding to the ineffective portion of cash flow hedges in accordance with the accounting criteria established by the Commission.

The effective portion of cash flow hedges, which is recognized within equity as part of other comprehensive income was as follows:

	2017		2016	
Initial Balance	$ 874	$ -	$ -	$ (619)
Swaps CCS valuation	(891)		(701)	
Swaps IRS MXP valuation	(518)		2,848	
Amount due of recycling	18		32	
Inefficiencies	27		(24)	
Net value before Income Tax (ISR)	(1,364)		2,155	
Amount reclassified from equity to income in the period			-	
Taxes	735		(662)	
Total amount recognized as other comprehensive income within equity account during the period (net of deferred taxes)		$ 629		$ 1,493
Ending Balance		$ 245		$ 874

Formal hedge documentation -

Once cash flow and fair value hedges are structured, the Financial Group prepares an individual file for each 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 the designation of individual credits and portfolio loans from fair value hedges positions 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 (in 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, applying the methodology for each one.

As of December 2017 and 2016, the valuation effect regarding the hedged risk by type of loan was $500, which is detailed as follows:

	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 peso	$ 84	$ (73)	$ (21)	$ (10)
Loan portfolio with fixed interest rate - US dollar	287	-	(120)	167
Loan portfolio with variable interest rate - US dollar	(29)	-	13	(16)
Origin Corresponded		-		
Ineffective loan portfolio	305	-	(10)	295
	$ 647	$ (73)	$ (138)	$ 436

	2016			
	Valuation adjustment balance as of Dec 31, 2015	Result from valuation	Valuation adjustment amortization [1]	Valuation adjustment balances as of Dec 31, 2016
Loan portfolio with fixed interest rate - Mexican peso	$ 110	$ -	$ (26)	$ 84
Loan portfolio with fixed interest rate - US dollar	420	-	(133)	287
Loan portfolio with variable interest rate - US dollar	(43)	-	14	(29)
Origin Corresponded		-	-	
Ineffective loan portfolio	441	-	(136)	305
	$ 928	$ -	$ (281)	$ 647

(1) In the case of reversals of the designation of hedges at fair value on the primary position, the valuation effect attributable to the hedged risk is amortized based on the maturity term of the loan portfolio subject to hedging.

As of December 31, 2017 and 2016, the compensation for changes in fair value, recognized in the financial margin of the income statement, hedging derivatives and hedged positions is analyzed below (Note 28a):

	2017	2016
Results from changes in value of hedging instruments (Note 34a)	$ (37)	$ (8)
Amortization from valuation of primary position hedge (Note 34a)	(157)	(281)
	$ (194)	$ (289)

As of December 31, 2017 and 2016, effectiveness tests on the Financial Group hedges were within the range of 80% and 125%, required by the accounting standards of Commission.

12. Loan portfolio

a. *Detail of performing and non-performing loan portfolio by type of loan*

As of December 31, 2017 and 2016, the loan portfolio was as follows:

	2017					
		Performing loan portfolio			Non-performing loan portfolio	
Concept	Capital	Interest	Total	Capital	Interest	Total
Consumer	$ 46,980	$ 624	$ 47,604	$ 3,083	$ 110	$ 3,193
Discounted loans	9,366	-	9,366	212	-	212
Unsecured loans	21,848	514	22,362	177	-	177
Secured loans	347	2	349	-	-	-
Simple and current accounts	168,996	1,638	170,634	4,007	71	4,078
Mortgage loan	6,167	40	6,207	623	12	635
Leasing	60	-	60	30	-	30
Restructured (Note 12f)	23,958	140	24,098	363	8	371
Re-discount	102	-	102	-	-	-
	$ 277,824	$ 2,958	$ 280,782	$ 8,495	$ 201	$ 8,696

	2016					
		Performing loan portfolio			Non-performing loan portfolio	
Concept	Capital	Interest	Total	Capital	Interest	Total
Consumer	$ 44,265	$ 564	$ 44,829	$ 3,427	$ 89	$ 3,516
Discounted loans	365	-	365	213	-	213
Unsecured loans	18,811	421	19,232	28	-	28
Secured loans	332	2	334	-	-	-
Simple and current accounts	177,172	1,358	178,530	1,870	33	1,903
Mortgage loan	6,502	32	6,534	346	7	353
Leasing	553	-	553	28	-	28
Restructured (Note 12f)	24,868	82	24,950	1,734	31	1,765
Re-discount	177	-	177	-	-	-
	$ 273,045	$ 2,459	$ 275,504	$ 7,646	$ 160	$ 7,806

b. *Loan portfolio classified by currency*

As of December 31, the loan portfolio classified by currency were as follows:

	2017			
Concept	Mexican peso	Foreign currency	UDIs	Total
Performing loan portfolio:				
Consumer	$ 47,604	$ -	$ -	$ 47,604
Discounted loans	6,915	2,451	-	9,366
Unsecured loans	6,864	15,498	-	22,362
Secured loans	349	-	-	349
Simple and current accounts	92,441	78,193	-	170,634
Mortgage loan	6,206	-	1	6,207
Leasing	60	-	-	60
Restructured (Note 12f)	14,290	9,807	1	24,098
Re-discount	88	14		102
	$ 174,817	$ 105,963	$ 2	$ 280,782

Concept	Mexican peso	Foreign currency	UDIs	Total
		2017		
Non-performing loan portfolio:				
Consumer	$ 3,193	$ -	$ -	$ 3,193
Discounted loans	211	2	-	213
Unsecured loans	-	177	-	177
Simple and current accounts	1,673	2,404	-	4,077
Mortgage loan	635	-	-	635
Leasing	30	-	-	30
Restructured (Note 12f)	302	69	-	371
	6,044	2,652	-	8,696
	$ 180,861	$ 108,615	$ 2	$ 298,478

Concept	Mexican peso	Foreign currency	UDIs	Total
		2016		
Performing loan portfolio:				
Consumer	$ 44,829	$ -	$ -	$ 44,829
Discounted loans	365	-	-	365
Unsecured loans	7,392	11,840	-	19,232
Collateral credit	334	-	-	334
Simple and current accounts	91,173	87,357	-	178,530
Mortgage loan	6,533	-	1	6,534
Leasing	97	456	-	553
Restructured (Note 12f)	13,921	11,029	-	24,950
Re-discount	103	74	-	177
	164,747	110,756	1	275,504

Concept	Mexican peso	Foreign currency	UDIs	Total
		2016		
Non-performing loan portfolio:				
Consumer	$ 3,516	$ -	$ -	3,516
Discounted loans	211	2	-	213
Unsecured loans	29	-	-	29
Simple and current accounts	1,791	112	-	1,903
Mortgage loan	352	-	-	352
Leasing	28	-	-	28
Restructured (Note 12f)	676	1,088	1	1,765
	6,603	1,202	1	7,806
	$ 171,350	$ 111,958	$ 2	$ 283,310

Loans granted to financing institutions

As of December 31, loans granted to financing institutions by currency are comprised as follows:

	2017		
Concept	**Mexican peso**	**Foreign currency**	**Total**
Non-performing loan portfolio:			
To non-bank financial institutions	$ 5,045	3,337	$ 8,382

	2016		
Concept	**Mexican peso**	**Foreign currency**	**Total**
Performing loan portfolio:			
To non-bank financial institutions	$ 5,148	6,223	$ 11,371

Loans granted to governmental institutions

As of December 31, loans granted to governmental institutions by currency, were as follows:

	2017		
Concept	**Mexican peso**	**Foreign currency**	**Total**
Performing loan portfolio:			
To decentralized entities	$ -	5,663	$ 5,663
To State Governments and Municipalities or with its guarantee	18,711	-	18,711
	$ 18,711	5,663	$ 24,374

	2016		
Concept	**Mexican peso**	**Foreign currency**	**Total**
Performing loan portfolio:			
To decentralized entities	-	11,268	$ 11,268
To State Governments and Municipalities or with its guarantee	12,412	-	12,412
	$ 12,412	11,268	$ 23,680

As of December 31, 2016, the Financial Group there were non credits with the State Government or with its guarantee.

As of December 31, 2017 and 2016, there were no non-performing loans balances from governmental institutions.

c. ***Limits for operations -*** The Commission and the Mexican Banking Law (Ley de Instituciones de Crédito “LIC”) establish limits which financial credit institutions must take into consideration when granting loans. The main limits are described below:

- **Financing of common risk**

Loans granted to the same person or group of people, which are considered to be issued to one borrower due to common risk, must adhere to the following maximum limits established:

Limit as a percentage of the basic capital of the bank subsidiaries	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, for each person or group of people, with a common risk. As of December, 2017 and 2016, the bank subsidiaries are performing in accordance with the limits described before.

- **Loans granted 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 50% of the basic net capital. As of December 31, 2017 and 2016, the loan portfolio granted to relate parties, presented in the Note 40, do not exceed this limit.

Related parties	2017	2016
Teléfonos de México, S.A.B. de C.V.	$ 6,467	$ -
Minera Frisco	5,598	4,692
Grupo IDESA	2,943	2,579
Etileno XXI	922	915
Janel	854	603
Galas de México	825	696
Artes Gráficas Unidas	556	522
Grupo Convertidor Industrial	452	449
Caixia de Estalvis i Pensions de Barcelona la Caixia	319	450
Jasame	231	-
Operadora Cicsa	147	4
Parque Acuático Nuevo Veracruz	146	150
Giant Motors Latinoamerica	61	63
Productos Dorel	55	56
CIII	54	54
Grupo Piscimex	45	63
Aspel de México	30	40
Bicicletas de México	30	25
Tabasco Oil Company	27	11
Grupo Sanborns	24	25
Sears Operadora México	23	32

Partes relacionadas	2017	2016
Persona física relacionada	20	302
Grupo Sedas Cataluna	10	10
Selmec Equipos Industriales	6	6
Operadora Medica Vrim, S,A. de C.V.	5	-
CE G Sanborns Monterrey	2	2
Condumex	1	-
CE G Samborns, S.A. de C.V.	1	-
Cementos Portland Valderrivas	-	1,752
Sociedad Financiera Inbursa	-	1
Total	19,854	13,502
Basic capital SEP-2017 and 2016	72,205	61,844
Basic capital to 40%	28,882	24,737
Surplus	$ 9,028	$ 11,235

- **Other financing limits**

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 Financial Group's net capital.

As of December 31, 2017 and 2016, the maximum balance of loans granted to the three major clients were $28,287 and $23,236, this represented 39.18% and 37.57% of the Financial Groups basic capital, calculated at the end of 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the bank subsidiaries had granted financing 9 and 5, respectively, that exceed 10% of the basic capital. As of December 31, 2017, this funding amounted was $97,092 and represented the 134% of the basic capital, while at the end of 2016 was $85,307 and represented by 138% of this concept.

As of December 31, 2017 and 2016, did not have loans granted multiple-service banking Institution. Therefore, As of December 31, 2017 and 2016, exist loans for $12,286 and $11,268 granted to governmental institutions.

d. *Risk concentration analysis*

- **Portfolio by economic sector**

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

	2017		2016	
	Amount	Percentage of concentration	Amount	Percentage of concentration
Private (business and personal)	$ 199,067	69%	$ 193,014	69%
Finance	8,382	3%	11,371	4%
Consumer	50,802	18%	48,346	17%
Mortgage	6,853	2%	6,899	2%
Credits to governmental institutions	24,374	8%	23,680	8%
	$ 289,478	100%	$ 283,310	100%

- **Portfolio by region**

As of December 31, 2017 and 2016, the percentages of concentration of the loan portfolio by region were as follows:

Region	2017			2016		
		Amount	Percentage of concentration		Amount	Percentage of concentration
Center	$	176,320	61%	$	171,497	61%
North		51,696	18%		49,705	18%
South		12,065	4%		12,542	4%
Foreign countries		49,397	17%		49,566	17%
	$	289,478	100%	$	283,310	100%

In the Note 41, are described the main policies in determining the percentages of the risks concentration.

e. ***Distressed portfolio analysis -*** Distressed loans include loans that carry risk ratings of D and E. As of December 31, 2017 and 2016, the distressed portfolio was as follows:

	2017											
	Performing loan portfolio						Non-performing loan portfolio					
		Capital		Interest		Total		Capital		Interest		Total
Leasing	$	-	$	-	$	-	$	30	$	-	$	30
Simple loans		573		12		585		4,063		73		4,136
Restructured loans		-		-		-		298		6		304
Consumer loans		3,774		107		3,881		3,083		110		3,193
Mortgage loans		98		2		100		513		9		522
Discounted loans		-		-		-		210		-		210
Unsecured loans		-		-		-		177		-		177
	$	4,445	$	121	$	4,566	$	8,374	$	198	$	8,572

	2016											
	Performing loan portfolio						Non-performing loan portfolio					
		Capital		Interest		Total		Capital		Interest		Total
Leasing	$	1	$	-	$	1	$	28	$	-	$	28
Simple loans		507		9		516		1,870		33		1,903
Restructured loans		28				28		1,726		31		1,757
Consumer loans		3,204		100		3,304		3,383		89		3,472
Mortgage loans		128		2		130		293		6		299
Discounted loans		-		-		-		210		-		210
Unsecured loans		-		-		-		28		-		28
	$	3,868	$	111	$	3,979	$	7,538	$	159	$	7,697

In Note 40, the principal policies for classifying a loan as distressed are described in detail.

f. Restructured loan portfolio

- Balances

As of December 31, 2017 and 2016, restructured loan portfolio balances were as follows:

	2017					
	Performing loans			Non-performing loans		
Concept	Capital	Interest	Total	Capital	Interest	Total
Simple credits with mortgage guarantee	$ 5,799	$ 22	$ 5,821	$ 89	$ 1	$ 90
Simple credits with pledged guarantee	1,940	9	1,949	-	-	
Simple credits with endorsement	314	1	315	111	5	116
Simple credits with other guarantees	11,916	80	11,996	-	-	-
Simple credits with no real guarantees	3,979	28	4,007	57	2	59
Unsecured loans	-	-	-	14	-	14
Consumer	5	-	5		-	-
Mortgage	5	-	5	92	-	92
	$ 23,958	$ 140	$ 24,098	$ 363	$ 8	$ 371

	2016					
	Performing loans			Non-performing loans		
Concept	Capital	Interest	Total	Capital	Interest	Total
Simple credits with mortgage guarantee	$ 6,049	$ 11	$ 6,060	$ 1,415	$ 1	$ 1,416
Simple credits with pledged guarantee	2,184	8	2,192	182	-	182
Simple credits with endorsement	435	1	436	103	4	107
Simple credits with other guarantees	11,699	52	11,751	-	26	26
Simple credits with no real guarantees	4,377	10	4,387	8	-	8
Unsecured loans	-	-	-	18	-	18
Consumer	-	-	-	1	-	1
Mortgage	124	-	124	7	-	7
	$ 24,868	$ 82	$ 24,950	$ 1,734	$ 31	$ 1,765

- Additional guarantees for restructured loans

As of December 31, 2017 and 2016, additional guarantees received for restructured loans were as follows:

2017		
Type of credit	Balance	Nature guarantee
Loans granted in national currency		
Simple with mortgage guarantee	$ 11,280	Prendaria, hipoteca y bienes muebles
Simple with other guarantees	8,768	Prendaria, hipoteca
Simple with pledged guarantee	3,892	Acciones públicas, acciones privadas y bienes inmuebles
Simple with no real guarantees	4,452	Hipoteca
Simple with endorsement	6	Hipoteca
Mortgage	218	Hipoteca
	$ 28,616	

Type of credit	2016 Balance		Nature guarantee
Loans granted in national currency			
Simple with mortgage guarantee	$	10,127	Pledged, mortgage and Property, furniture and fixtures
Simple with other guarantees		19,341	Pledged, mortgage
Simple with pledged guarantee		4,526	Public Shares, Private Shares, and Property, furniture and fixtures
Simple with real guarantees		4,452	Mortgage
Simple with endorsement		46	Mortgage
Mortgage		199	Mortgage
	$	38,691	

g. *Non-performing loan portfolio*

- Aging

As of December 31, 2017 and 2016, the aging of non-performing loan portfolio was as follows:

		2017		2016
From 1 to 180 days	$	5,430	$	4,372
From 181 to 365 days		1,622		1,189
More than one year		1,644		2,245
	$	8,696	$	7,806

As of December 31, 2017 and 2016, the analysis above included balances from non-performing loan portfolio regarding consumer loans and mortgage loans of $3,193 and $635 in 2017 and $915 and $690 in 2016, respectively. The aging analysis of the non-performing loan portfolio is not presented separately as the Financial Group's management deems such amounts to be immaterial.

- *Transfers*

For the years ended December 31, 2017 and 2016, transfers to non-performing portfolio were as follows:

		2017		2016
Opening balance	$	7,806	$	7,256
Addition (subtraction):				
Net transfers from performing portfolio to non-performing portfolio and vice versa (1)		11,455		5,716
Foreclosures		(319)		(82)
Impairments		(10,246)		(5,084)
Ending balance	$	8,696	$	7,806

(1) For the years ended December 31, 2017 and 2016, the financial group performed, based on the policy described in Note 3, transfers of current loans of $42,459 and $47,182 respectively; transfers from non-performing loan to performing portfolio were $38,614 and $43,284, respectively.

For the years ended December 31, 2017 and 2016, the Financial Group did not make write-offs, losses or credit applications granted to related parties that, consequently, have involved the elimination of the corresponding assets.

h. ***Fees and fees charged per consolidated product -*** Commissions and fees charged per consolidated product are integrated as of December 31, 2017 and 2016 as follows:

	2017	2016
Consumer	$ 1,580	$ 1,825
Simples	294	789
Loan Portfolio	71	96
	1,945	2,710
Others receivable commissions	2,669	1,245
	$ 4,614	$ 3,955

13. Allowance for loan losses

On January 6, 2017, the Commission issued a resolution which modifies the Provisions, by means of which adjustments are made to the methodology applicable to the rating of the non-revolving consumer loans and mortgage loans for credit institutions for the purpose of new measures of risk at the client level, such as the level of indebtedness, the payment behavior of the system and the specific risk profile of each product, as well as updating and adjusting the risk parameters of probability of default, severity of loss and exposure to default that are taken into account for the rating of the loan portfolio and the calculation of the allowance for loan losses of non-revolving consumer loans and housing mortgage loans.

The Commission stipulated the recognition of the initial effect of the application of the rating methodology for the non-revolving consumer loan portfolio and mortgage loan in stockholders' equity no later than December 31, 2017.

As of December 31, 2017, the initial financial effect derived from the application of the methodology change originated a constitution and recording of allowance for loan losses in the consolidated balance sheet under the heading "Allowance for loan losses" in the amount of $294, with a charge to the stockholders 'equity under "Retained earnings" and "Allowance for loan losses" within the stockholders' equity and in the consolidated income statement for an amount of $120 and $86, respectively.

In addition, and in accordance with the Provisions of the NIF D-4, Income Taxes, the Financial Group recognized the deferred ISR related to this initial financial effect derived from this change, by means of an increase in the item "Deferred income taxes, net" in the consolidated balance sheet with a corresponding increase in "Retained earnings" and "Allowance for loan losses" in the stockholders' equity and in the consolidated income statement an amount of $51 and $37, respectively.

Therefore, the initial financial effect recognized in stockholders' equity and in the consolidated income statement for the year 2017 within the item "Retained earnings" and "Result of the financial year", respectively, as a result of the application of the change in the methodology for the loan portfolio rating for non-revolving consumer loans and mortgage loans, by an amounts of $294, net of the deferred tax ISR that is relative to it.

For the years ended December 31, 2017 and 2016, the allowance for loan losses was as follow:

	2017	2016
For commercial loans (a)	$ 5,011	$ 5,926
For consumer loans (b)	6,425	5,907
For mortgage loans (c)	310	255
	$ 11,746	$ 12,088

As of December 31, 2017 and 2016, the additional allowance was $69 and $38, respectively.

As of December 31, 2017 and 2016, the allowance for loan losses disaggregated were as follows:

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

Degree of credit risk	2017 Responsibilities amount	2017 Amount of allowance recorded	2016 Responsibilities amount	2016 Amount of allowance recorded
A-1	$ 181,377	$ 872	$ 167,328	$ 772
A-2	46,396	590	55,373	690
B-1	9,770	167	12,351	199
B-2	6,280	122	3,481	76
B-3	5,535	187	4,529	409
C-1	1,131	73	1,177	83
C-2	361	44	313	39
D	4,403	1,879	1,325	503
E	1,039	1,038	3,145	3,145
Rated portfolio	$ 256,292	4,972	$ 249,022	5,916
Additional allowance		39		10
Allowance created		$ 5,011		$ 5,926

b. *Consumer loans*

Degree of credit risk	2017 Responsibilities amount	2017 Amount of allowance recorded	2016 Responsibilities amount	2016 Amount of allowance recorded
A-1	$ 20,929	$ 371	$ 18,865	$ 432
A-2	4,952	217	3,183	165
B-1	3,304	181	2,255	135
B-2	5,255	258	8,357	420
B-3	1,483	115	3,989	241
C-1	4,565	419	1,994	226
C-2	3,241	523	2,927	517
D	2,905	1,241	2,838	1,052
E	4,169	3,076	3,938	2,694
Rated portfolio	$ 50,803	6,401	$ 48,346	5,882
Additional allowance		24		25
Allowance created		$ 6,425		$ 5,907

c. *Mortgage loans*

Degree of credit risk	2017 Responsibilities amount	2017 Amount of allowance recorded	2016 Responsibilities amount	2016 Amount of allowance recorded
A-1	$ 4,990	$ 12	$ 3,141	$ 8
A-2	340	2	1,683	10
B-1	155	1	574	5
B-2	234	3	313	4
B-3	116	2	151	3
C-1	179	6	405	12
C-2	217	19	203	16
D	372	97	203	46
E	250	162	227	148
Rated portfolio	$ 6,853	304	$ 6,900	252
Additional allowance		6		3
Allowance created		$ 310		$ 255

d. *Allowance for loan losses*

For the years ended December 31, 2017 and 2016, the movements of the allowance for loan losses were as follow:

	2017	2016
Opening balance	$ 12,047	$ 10,696
Addition (subtraction):		
Initial adjust by consolidation	(67)	-
Increase in allowance	10,053	6,614
Effect of the methodology change	122	-
Reserves from foreclosed assets	-	(2,399)
Applications	(10,246)	(3,216)
UDI's and foreign currency valuation	(163)	352
Ending balance	$ 11,746	$ 12,047

14. Accounts receivables from Insurance and Bonding Companies, net

As of December 31, were as follows:

	2017	2016
Unsecured loans	$ 31	$ 43
Loans on policies	368	380
Non-performing loans	1,332	1,333
	1,731	1,756
Allowance for doubtful accounts	(42)	(40)
	$ 1,689	$ 1,716

15. Premiums debtors

As of December 31, were as follows:

	2017	2016
Premium debtors from accident and health and damage	$ 6,172	$ 5,498
First year premiums receivable	532	744
Renewal premiums receivable	724	485
Premiums due for sureties	482	402
Debt receivable from Federal government agencies and entities	735	696
	$ 8,645	$ 7,825

16. Receivable from reinsurers and rebounders, net

As of December 31, were as follows:

	2017	2016
Reinsurers' share	$ 10,830	$ 31,402
Insurance companies	540	540
Retained premiums from ceded reinsurance and rebounding	1	1
	11,371	31,943
Allowance for loan losses of foreign reinsurance	(21)	(5)
	$ 11,350	$ 31,938

17. Other receivables, net

As of December 31, were as follows:

	2017	2016
Recoverable Income Tax	$ 1,450	$ 320
Debtors due to liquidation of operations	711	2,376
Debtors due to swap margin accounts	15,065	17,066
Commission receivable	4	5
Other debtors	1,840	3,043
	19,070	22,810
Allowance for losses	(151)	(146)
	$ 18,919	$ 22,664

18. Foreclosed assets, net

As of December 31, were as follows:

	2017	2016
Securities, sundry assets and rights allocated	$ 1,333	1,329
Foreclosed assets	2,845	2,474
	4,178	3,803
Less - Allowance for losses on foreclosed assets	(2,172)	(1,792)
Total	$ 2,006	$ 2,001

19. Property, furniture and fixtures, net

As of December 31, were as follows:

	Tasa	2017	2016
Buildings	5%	$ 5,003	$ 4,934
Office furniture	10%	1,074	909
Computers	30%	2,090	1,991
Vehicles	25%	186	414
Land		407	440
Leased assets		897	749
Others		127	154
		9,784	9,591
Less-			
Accumulated depreciation and amortization		(3,470)	(3,190)
Total		$ 6,314	$ 6,401

For the years ended December 31, 2017 and 2016, the depreciation expense was $510 y $471, respectively.

As of December 31, 2017 and 2016, leasing assets under operating leases had carrying values of $471 and $393, respectively.

20. Long-term investment in shares

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

Issuer	Balance	Contributions	Contribution to results	Other changes	Balance 2017
			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

Issuer	Balance	Contributions	Contribution to results	Other changes	Balance 2017
			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

Issuer	Balance 2015	Contributions	Contribution to results	Other changes	Balance 2016
			2016		
Venture capital investments					
Infraestructura y Transportes México	$ 618	$ -	$ 154	-	772
Havas Media	24	-	1	-	25
Argos Comunicación	90	-	(7)	-	83
In Store de México	69	-	9	-	78
Soficam	13	-	1	-	14
Parque Acuático Inbursa	93	-	0	-	93
Star Medica	1,500	-	75	(24)	1,551
GMéxico Transportes	2,491	-	491	(150)	2,832
Salud Interactiva	192	-	16	(22)	186
Salud Holding	40	-	9	(8)	41
Giant Motors Latinoamérica	135	-	3	-	138
Gas Natural México	1,549	-	199	(56)	1,692
Patiacan	3	-	-	-	3
Enesa	446	(312)	47	-	181
Patia Biopharma	13	8	(6)	-	15
Sistemas de Administración y Servicios	1	-	0	-	1
Grupo IDESA	1,607	373	(176)	(4)	1,800
Excellence Freights de México	25	8	6	(3)	36
Hitss Solutions	496	-	11	-	507
Aspel Holding	625	-	129	(33)	721
Fideicomiso GEO	439	-	-	-	439
	$ 10,469	$ 77	$ 962	$ (300)	$ 11,208

Issuer	Balance 2015	Contributions	Contribution to results	Other changes	Balance 2016
			2016		
Other investments:					
Asociación de Bancos de México, A.C.	14	-	-	(2)	12
Inbursa Siefore, S.A. de C.V.	407	-	31	-	438
Inbursa Siefore Básica, S.A. de C.V.	133	-	10	-	143
Inbursa Siefore Básica 3, S.A. de C.V.	472	-	41	-	513
Inbursa Siefore Básica 4, S.A. de C.V.	327	-	32	-	359
Inbursa Siefore Básica de Pensiones, S.A. de C.V.	62	-	2	-	64
Procesar, S.A. de C.V.	8	-	-	-	8
Sociedades de Inversión	(67)	-	48	3	(16)
Promotora Ideal	81	-	25	229	335
Autopista Arco Norte	34	(30)	-	-	4
Claro Shop.com	-	155	-	-	155
Guardiana LLC	62	-	(39)	40	63
Others	(15)	-	(101)	128	12
	1,518	125	49	398	2,090
	$ 11,987	$ 202	$ 1,011	$ 98	$ 13,298

21. Other assets, deferred charges and intangibles, net

As of December 31, were as follows:

	2017	2016
Software licenses	$ 957	$ 964
Prepaid expenses	2,419	1,478
Goodwill	1,512	1,512
Guarantee deposits	601	567
Labor obligations fund	16	16
Unamortized discounts on securities placed	336	145
Others	1,147	702
	6,988	5,384
Accumulated amortization of software licenses	(535)	(513)
Other accumulated amortization	(203)	(132)
	$ 6,250	$ 4,739

The amortization of software licenses during 2017 and 2016, was $15 and $12, respectively.

22. Deposits

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

Checking accounts	Moneda nacional 2017	Moneda nacional 2016	Moneda extranjera valorizada 2017	Moneda extranjera valorizada 2016	Total 2017	Total 2016
Accounts with interest rate	$ 101,435	$ 77,480	$ 3,357	$ 3,208	$ 104,792	$ 80,688
Accounts with no interest rate	1,617	1,031	13	56	1,630	1,087
	$ 103,052	$ 78,511	$ 3,370	$ 3,264	$ 106,422	$ 81,775

For the years ended December 31, 2017 and 2016, the interest expense from demand deposits on checking accounts were $5,050 and $2,747, respectively (Note 35c).

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 (tasa de interés interbancaria de equilibrio or "TIIE"). For those deposits in foreign currency, the interest rate relates to Libor.

As of December 31, time deposits were as follows:

	2017	2016
Fixed-term deposits:		
US dollar (1)	$ 197	$ 322
UDI's (2)	450	422
UDI's (1)	589	552
Mexican peso (1)	542	572
Mexican peso (2)	6,579	19,708
Real	40	-
	8,397	21,576

	2017	2016
PRLV		
Placed on the market [1]	11,460	9,788
Withdrawals deposits on pre-established days [1]	10,890	10,472
	$ 30,747	$ 41,836

[1]Placed within general public
[2]Placed within money market.

As of December 31, 2017 and 2016, time deposits maturing over periods less than one year, were $23,071 and $21,163, respectively.

For the year ended December 31, 2017 and 2016, the interest expense from fixed-term deposits were $1,249 and $1,156, respectively (Note 35c).

In accordance with regulations, the Commission must be given notice when financial institutions have deposits with one person or group of people legally considered as one person, that represent more than 100% of the basic capital. As of December 31, 2017 and 2016, the Financial Group does not exceed this limit.

c. ***Negotiable instruments issued*** - As of December 31, negotiable instruments issued as unsecured bonds, were as follows:

		2017		2016	
Issuance	Bonds Amount	Balance	Interest Rate	Balance	Interest Rate
Binbur 13-3	-	$ -	-	$ 6,002	6.36%
Binbur 13-4	-	-	-	11,146	6.38%
Binbur 14	-	-	-	5,660	6.35%
Binbur 14-2	-	-	-	2,027	5.07%
Binbur 14-3	30,000,000	3,011	7.62%	2,973	5.79%
Binbur 14-4	5,000,000	502	7.62%	501	5.79%
Binbur 14-5	50,000,000	4,976	7.80%	4,973	6.29%
Binbur 14-6	-	-	-	3,710	5.78%
Binbur 14-7	147,401,266	15,011	7.00%	11,824	7.00%
Binbur 15	52,000,000	5,210	7.80%	5,206	6.29%
Binbur16	30,000,000	2,971	7.63%	2,968	5.80%
Binbur16-2	17,424,750	1,752	7.74%	1,749	5.95%
Binbur16-3	24,471,150	2,449	7.82%	2,448	6.31%
Binbur16-4	5,528,850	553	7.85%	553	6.34%
Binbur16-5	30,021,846	1,602	7.81%	1,551	6.30%
Binbur16-6	10,196,108	721	7.88%	721	6.35%
Binbur17	19,179,376	1,923	7.90%	-	-
BINBL53	1,000,000	34,606	4.125%	20,676	4.125%

Issuance	Bonds Amount	2017 Balance	2017 Interest Rate	2016 Balance	2016 Interest Rate
CF CREDIT 0015	49,999,996	$ 4,609	7.68%	$ 2,697	5.61%
CF CREDIT 00117	50,000,000	5,027	7.53%	-	-
CF CREDIT 00217	50,000,000	5,017	7.38%	-	-
CF CREDIT 00317	31,000,000	3,116	7.53%	-	-
CF CREDIT 00516	-	-	-	3,615	4.62%
CF CREDIT 00616	-	-	-	3,500	5.67%
SFOMIBU 00716	-	-	-	4,013	5.26%
SFOMIBU 00816	-	-	-	3,504	5.22%
SFOMIBU 00916	-	-	-	2,003	5.22%
SFOMIBU 01016	-	-	-	1,502	5.22%
SFOMIBU 01116	-	-	-	5,012	5.26%
SFOMIBU 01216	-	-	-	1,502	5.78%
		$ 93,056		$ 112,036	

(1) On September 30, 2010, the Commission released an official 153/3618/2010, authorizing the issuance of securities under the “Program for unsecured bank bonds, deposits certificates, promissory notes with returns that can be realized at maturity and bank bonds” program in the National Securities Registry. The authorized amount is $50, or its equivalent in UDIs equivalent, without all the current issues amount exceed authorized.

As of December 31, 2017 and 2016, the issues represent 7% and 24%, respectively, of the total amount authorized.

(2) On February 1, 2013, the Commission released an official 153/6117/2013, authorizing the issuance of securities under the “Program for unsecured bank bonds, deposits certificates, promissory notes with returns that can be realized at maturity and bank bonds” program in the National Securities Registry. The authorized amount is $30,000 or its equivalent in UDIs, without all the current issues amount exceed authorized.

As of December 31, 2017 and 2016 the total issued under this program represented 17% and 75% respectively, of the total authorized amount.

(3) On September 23, 2014, the Commission released an official 153/107353/2014, authorizing the issuance of securities under the “Program for unsecured bank bonds, deposits certificates, promissory notes with returns that can be realized at maturity and bank bonds” program in the National Securities Registry. The authorized amount is $100,000 or its equivalent in UDIs equivalent, without all the current issues amount exceed authorized.

As of December 31, 2017 and 2016, the issues represent 34% and 33%, respectively, of the total amount authorized.

(4) On June 30, 2015, the Commission released an official communication (reference no. 153/5480/2015), authorizing the issuance of securities under the “Program for unsecured bank bonds, deposits certificates, promissory notes with returns that can be realized at maturity and bank bonds” program in the National Securities Registry. The authorized amount is not to exceed $15,000 or its equivalent in UDIs, without all the current issues amount exceed authorized.

As of December 31, 2017 and 2016, the issues represent 51% and 2%, respectively, of the total amount authorized.

(5) As November 29, 2016, the Commission released an official communication (reference no. 153/5480/2016), authorizing the issuance of securities under the “Program for unsecured bank bonds, deposits certificates, promissory notes with returns that can be realized at maturity and bank bonds” program in the National Securities Registry. The authorized amount is not to exceed $15,000 or its equivalent in UDIs, without all the current issues amount exceed authorized.

As of December 31, 2017 and 2016, the issues represent 51% and 56%, respectively, of the total amount authorized.

(6) As September 30, 2015 the Commission released an official communication (reference No. 153/5782/2015), authorizing the issuance of securities under the “Program for unsecured bank bonds, deposits certificates, promissory notes with returns that can be realized at maturity and bank bonds” program in the National Securities Registry. The authorized amount is not to exceed $20,000 or its equivalent in UDIs, without all the current issues amount exceed authorized.

As of December 31, 2017 and 2016, the issues represent 0% and 87%, respectively, of the total amount authorized.

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.

As of December 31, 2017 and 2016, the interest expense generated by the stock certificates amount to $ 6,786 and $ 5,404 (Note 28b), respectively, and the issuance expenses amount to $ 75 and $ 73, 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:

	2017			2016		
	Capital	Interest	Total	Capital	Interest	Total
Demand loans						
Loans in Mexican pesos						
Received “call money” transactions (1)	$ 6	$ -	$ 6	$ -	$ -	$ -
Short-term portion						
Loans in Mexican pesos						
Banxico	750	3	753	1,350	7	1,357
NAFIN	272	2	274	380	2	382
	1,022	5	1,027	1,730	9	1,739
Foreign currency loans						
NAFIN	14	-	14	71	-	71
Total short term loan	1,036	5	1,041	1,801	9	1,810

	2017			2016		
	Interés	Total	Capital	Interés	Total	
Long-term portion						
Loans in Mexican pesos						
BANOBRAS	16,140	60	16,200	7,667	2	7,669
Discounted portfolio (FIRA)	-	-	-	71	-	71
NAFIN	17,933	70	18,003	14,444	25	14,469
Sociedad Hipotecaria Federal	1,500	11	1,511	1,500	4	1,504
	35,573	141	35,714	23,682	31	23,713
Foreign currency loans						
Loans for multiple purpose financing entities	-	-	-	2,681	4	2,685
Total long term loans	35,573	141	35,714	26,363	35	26,398
	$ 36,615	$ 146	$ 36,761	$ 28,164	$ 44	$ 28,208

	2017			2016		
	Capital	Interés	Total	Capital	Interés	Total
Demand loans						
Loans in Mexican pesos						
Received "call money" transactions (1)	$ 6	$ -	$ 6	$ -	$ -	$ -
Short-term portion						
Loans in Mexican pesos						
Banxico	750	3	753	1,350	7	1,357
NAFIN	272	2	274	380	2	382
	1,022	4	1,027	1,730	9	1,739
Foreign currency loans						
NAFIN	14	-	14	71	-	71
Total long term loans	1,036	4	1,041	1,801	9	1,810
Long-term portion						
Loans in Mexican pesos						
BANOBRAS	16,140	60	16,200	7,667	2	7,669
Discounted portfolio (FIRA)	-	-	-	71	-	71
NAFIN	17,933	70	18,003	14,444	25	14,469
Sociedad Hipotecaria Federal	1,500	11	1,511	1,500	4	1,504
	35,573	141	35,714	23,682	31	23,713
Foreign currency loans						
Loans for multiple purpose financing entities	-	-	-	2,681	4	2,685
Total long term loans	35,573	141	35,714	26,363	35	26,398
	$ 36,615	$ 146	$ 36,761	$ 28,164	$ 44	$ 28,208

(1) As of December 31, 2017, received "call money" transactions were as follows:

	Amount 2016	Interest Rate	Maturity (Days)
Loans for multiple purpose financing entities	$ 6	2.90 %	4

As of December 31, 2016, the Financial Group did not keep loans corresponding to Call Money operations.

As of December 31, 2017 and 2016, short-term loans in local currency earn average interest rates of 5.56% and 5.56%, respectively. Long-term financing received at the end of 2017 and 2016, accrues interest with an average rate of 7.58% and 10.7%, respectively.

For the years ended December 31, 2017 and 2016, interest expense generated by interbank loans were $2,006 and $ 272, respectively (Note 35c).

As of December 31, 2017 and 2016, there are no guarantees granted for the financing received.

24. Technical reserves

As of December 31, were as follows:

	2017	2016
Of risk in progress	$ 39,803	$ 38,085
Obligations to be fulfilled	13,594	34,036
Of contingency	1,103	1,159
Specialized insurance	297	527
From catastrophic risk	11,318	11,265
	$ 66,115	$ 85,072

25. Payables to reinsurance and surety, net

As of December 31, were as follows:

	2017	2016
Insurance companies	$ 733	$ 708
Bonding companies	8	2
Retained premiums from ceded reinsurance and rebounding	2	2
Other businesses	76	61
	$ 819	$ 773

26. Income Tax

The Financial Group is subject to ISR. In accordance with the Income Tax Law, the rate for 2017 and 2016 was 30% in 2018 and thereafter.:

For the years ended December 31, 2017 and 2016, the “Current income taxes” of the consolidated statements of income is included as follows:

	ISR 2017		ISR 2016	
Banco Inbursa	$	3,411	$	2,277
Seguros Inbursa		789		558
Pensiones Inbursa		602		207
Fianzas Guardiana Inbursa		153		406
Casa de Bolsa		98		68
Operadora Inbursa de Fondos de Inversión		94		88
Other subsidiaries		20		24
	$	5,167	$	3,628

At the date of the issuance of these consolidated financial statements, the annual tax return of 2017, has not been submitted to the tax authorities, therefore the tax to be presented may be amended; however, management estimates these will not be relevant.

Reconciliation of effective ISR - For the years ended December 31, 2017 and 2016, he effective ISR rates was 24% and 19%, respectively. A reconciliation of legal and effective tax rate is detailed below:

	2017		2016	
Profit before tax as income statement	$	26,324	$	15,500
Participation in conciliation				
Annual inflation adjustment		(5,601)		(3,207)
Non-deductible expenses		715		506
Difference in the tax cost of shares		(394)		1,260
Result in subsidiaries		(1,470)		(1,011)
Other permanent items		746		(1,445)
Income before ISR and PTU, plus reconciling items		20,320		11,603
Statutory tax rate		30%		30%
Income Tax		6,096		3,481
Deferred ISR from prior years		190		449
Total current and deferred tax according to the income statement	$	6,286	$	3,032
Effective income tax rate		24%		19%

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. Cash collaterals received

Guaranteed cash deposits for derivative contracts from derivative contracts at other markets, especially with swaps, are required to comply with obligations from counterparties. As of December 31, 2017 and 2016 the credit balances were $2,125 and $2,264, respectively.

The balance of creditors for listed swaps margin accounts was $509 as of December 31, 2017.

28. Sundry creditors and other payables

As of December 31, were as follows:

	2017	2016
Value added tax payable	$ 3,353	$ 3,010
Sundry creditors	1,279	1,814
Orders on behalf of clients	25	15
Guaranteed deposits	2	2
Money orders to pay	38	66
Cashier's checks	219	230
Provisions for other obligations	137	158
Certified checks	270	48
Contributions to the contingency fund	80	78
Current account agents	128	129
Unearned commissions	434	410
Provision for clearinghouse	186	196
Provision for memberships	6	-
Unapplied deposits	101	91
Other	64	201
	$ 6,322	$ 6,448

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' The labor cost in net interest will be included in the income statement.

As of December 31, 2017 and 2016, the net periodic cost for obligations under pension plan and seniority premiums and termination benefits were $72 and $115, 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:

	2017	2016
Projected benefit obligation (OBD)	1,830	1,677
Fair value of plan assets	1,843	1,689
Situation (unfunded liability) or fund	(13)	(12)
Charges to results in excess of contributions	57	28
Past service, change in methodology and plan modifications	(29)	(11)
Actuarial gains and losses not recognized	(23)	(5)
Net projected assets	$ 72	$ 115

b. Additional information used in the actuarial calculations:

	2017 %	2016 %
Discount rate:		
Seniority premium	7.75	8.00
Legal compensation:	7.50	7.50
Pension plan:	7.50	7.50
Rate of salary increases	5.25	5.25
Rate of increase in the minimum wage	4.00	4.00

c. Net periodic cost are as follows:

	2017	2016
Labor cost of current service	$ 63	$ 64
Financial cost	3	25
Expected return on plan assets	3	26
Labor cost of past services	3	-
Net periodic cost	$ 72	$ 115

As of December 31, the types of instruments and in which plan assets have invested and related amounts were:

	2017	2016
Variable income	$ 302	$ 698
Fixed Income	853	137
Net valuation	670	835
	1,825	1,670
Interest receivable	2	1
Mortgage loans	15	18
	$ 1,842	$ 1,689

30. Deferred taxes, net

As of December 31, deferred taxes were as follows:

	2017	2016
Deferred tax liability:		
Valuation of shares	$ 1,407	$ 1,305
Valuation of financial instruments	2,706	2,695
Derivative financial instruments	923	1,532
Other	4,420	2,617
	$ 9,456	$ 8,149
Deferred tax asset:		
Tax on assets paid	$ 156	$ 197
Fiscal losses to be amortized	100	31
Commercial loans amortization	7	7
Valuation of financial instruments	288	1,078
Derivative financial instruments	360	12
Other	6,129	4,615
	7,040	5,940
Deferred tax liability, net	2,416	2,209
Deferred employee profit sharing liability	703	697
Total	$ 3,119	$ 2,906

Deferred tax expense or benefit reported in the consolidated income statements for the years ended December 31, 2017 and 2016, were $1,119 and $(596), respectively.

The tax rate of 30% was applied to temporary differences as of December 31, 2017 and 2016.

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 Financial 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 financial statements taken as a whole. For the years ended December 31, 2017 and 2016, the leasing expense were $47 and $48, respectively.

Respect to the payments for rent that will be made in the next five years, in accordance with the lease agreements in force as of December 31, 2017 and 2016, the Administration estimates that these will amount to $2,101 and $1,467.

c. Credit commitments

- **Letters of credit**

  The Financial Group grants letters of credit to its clients, 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, 2017 and 2016, letters of credit granted by the Financial Group were $24,100 and $20,706, respectively.

- **Credit lines**

  The Financial Group has granted lines of credits that have not yet been exercised. As of December 31, 2017 and 2016, he total amounts of credits granted by the Financial Group were $123,069 and $141,684, respectively, of which the amounts outstanding for exercising were $68,802 and $81,873, respectively.

d. Review of tax reports - As of December 31, 2017, in connection with a review by financial industry section of the Tax Administration Service (SAT) of the fiscal years 2007 and 2009, the Financial Group presented on time all documentation required to the Administration of Major Taxpayers of the SAT. As of December 31, 2017, there is no evidence of disputed taxes. The Financial Group, based on the views of its legal counsel, believes that the final result of tax reviews will be favorable.

At the same time, at the date of issuance of the accompanying consolidated financial statements, the Tax Administration Service on Financial Industry (SAT) is reviewing fiscal years ended on December 31, 2015 and 2014, as well as the acquisition of Banco Walmart, S.A. for the year 2014.

About the subsidiary Seguros Inbursa, the Central Administration of the Financial Sector Supervision, the Tax Administration Service determined credits on income tax for fiscal years 2004 and 2005 and the value added tax for fiscal years 2004 and 2005. The Financial Group filed in a timely manner, the mass corresponding defense to the Federal Court of Fiscal and Administrative Justice, to this date we don´t have definitive results, however, management believes will be favorable or in its remote case disburse the possibility of significant resources.

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

Changes to the Mexican Federal Labor Law became effective on December 1, 2012. These changes may affect how the Financial Group receives professional and personnel services from its affiliated companies. As of December 31, 2012, management evaluated the potential effects of these changes on the Fianncial Group's financial information, and has concluded that there will be no material effects to be reported or disclosed. Management will conduct its own on-going assessment of the effects of the changes to the law, especially with regards to the determination, calculation and recognition of employee benefits and how the changes in the law may affect this area.

32. Stockholders' equity

a. ***Capital Stock -*** Al As of December 31, 2017 and 2016, the capital stock is composed of 6,667,027,948 shares of series "O" with an expression of nominal value of $0.4137108 pesos each one.

As of December 31, 2017 and 2016, the nominal paid-in capital stock amounts to $ 2,758.
The book value as of December 31, 2017 and 2016 is $14,182 and $14,193, 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 Regulate Financial Groupings, 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.

As per the LIC, the minimum stockholders' equity paid to credit institutions must be 90 million UDIs. As of December 31, 2017 and 2016, the Financial Group was in compliance with this regulatory requirement.

	Number of shares		Amount	
	2017	2016	2017	2016
Fixed capital-				
Shares Series "O"	6,667,027,948	6,667,027,948	$ 2,758	$ 2,758

Participation in other equity accounts of subsidiaries - As of December 31, 2017, the main items that make up this effect arising from the adoption of the Accounting Criteria mentioned in Note 1 are mainly due to the valuation surplus of the current risk reserve, Employee benefits, technical reserves of the insurance sector and sureties and results by valuation of securities available for sale. This effect is presented as financing activities in the consolidated statements of cash flows.

b. ***Capital movements -***

At the Ordinary General Stockholders' Meeting held on April 28, 2017, the payment of a dividend to Stockholders was approved at a rate of $ 0.46 pesos payable to each of the 6,623,400,000 shares subscribed and paid as of that date and in circulation, representing the social capital of the Financial Group; the total amount paid amounted to $3,047.

At the Ordinary General Stockholders' Meeting held on April 30, 2016, the payment of a dividend to Stockholders was approved at a rate of $0.44 pesos payable to each of the 6,654,366,528 shares subscribed and paid as of that date and in circulation, representing the social capital of the Financial Group; the total amount paid amounted to $2,928.

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 LRAF.

Any natural or legal 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, when exceeding 5% of the share capital.

Capital Reserve - As of December 31, 2017 and 2016, capital reserves were $3,114 $2,088, respectively, of which $1,933 and $907 corresponding to the reserve for repurchase of own shares and $1,181 in both years of legal reserve.

Reserve for repurchase own stocks- The reserve for repurchase of own stocks, originated in the agreements by the Stockholders using part of retained earnings for constitution.

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 stockholders 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 stockholders in excess of the amount of the restated capital contributions, in accordance with the Mexican Income Tax 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, 2017 and 2016, tax equity balances were as follows:

	2017	2016
CUCA	$ 41,639	$ 38,999
CUFIN (LISR 2013)	$ 4,159	$ 3,320
CUFIN (LISR 2014)	$ 2,286	$ 1,391

33. Earnings per share and other comprehensive income

a. ***Earnings per share*** **-** The earnings per share for years ended December 31, were as follows:

	2017	2016
Net controlling interest income	$ 19,985	$ 12,432
Weighted average number of common shares outstanding	6,618,698,257	6,649,922,395
Earnings per share (Mexican pesos)	$ 3.0195	$ 1.8695

b. ***Other comprehensive income*** **-** For the years ended December 31, 2017 and 2016, other comprehensive income were as follows:

	2017	2016
Net income attributable to equity holders of the parent	$ 19,985	$ 12,432
Equity interest in other stockholders' equity accounts of subsidiaries	(624)	3,224
Other comprehensive income	$ 19,361	$ 15,656

34. Information by segments

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.

		2017	2016
a)	Lending operations		
	Income		
	Interests from loans (Note 35a)	$ 28,536	$ 22,855
	Exchange rate and UDIs (Note 35a)	429	186
	Commissions from opening of credit lines (Note 35a)	192	544
	Commissions (Note 36)	4,656	4,183
	Other operating income	3,009	3,595
		36,822	31,363

	2017	2016
Expenses		
Exchange rate and UDIs (Note 35c)	73	61
Allowance for credit losses (Note 13d)	10,053	6,614
Interests from deposits (Note 35c)	16,163	9,732
Commissions	1,884	1,791
Other operating expenses	836	807
Unrealized gain on swap hedges (Note 10)	(17)	8
Amortization from loan portfolio valuation (Note 12)	211	281
	29,203	19,294
Results from loan operations	$ 7,619	$ 12,069

		2017		2016	
b)	Operations from money market and capital market				
	Income				
	Interest from investments (Note 35a)	$	11,350	$	5,977
	Premiums from sale and repurchase agreements (Note 35a)		3,167		1,715
	Commissions (Note 35)		1,048		929
	Results from securities operations (Note 36)		8,812		969
	Results from investment in securities (Note 37)		4,606		2,991
	Interest income and returns from margin accounts		93		109
			29,076		12,690
	Expenses				
	Discount for debt placement		39		28
	Premiums from sale and repurchase agreements (Note 35c)		3,213		1,789
	Commissions		3,121		3,323
			6,373		5,140
	Results from money market and capital market operations	$	22,703	$	7,550

		2017		2016	
c)	Operations from derivatives and foreign currency (Note 36)				
	Results from foreign exchange transactions	$	(4,175)	$	5,302
	Results from foreign currency exchange		919		466
	Results from operations from derivatives		4,185		(4,317)
	Insurance, pensions and securities		(52)		(1,652)
			877		(201)

		2017		2016	
d)	Reconciliation				
	Loan portfolio transactions	$	7,619	$	12,873
	Money market and capital market transactions		22,702		6,746
	Derivatives and foreign currency transactions		877		(201)
	Insurance, pensions and securities		3,516		3,752
	Commissions from management of retirement accounts (Note 35)		1,082		1,009
			35,796		24,179
			10,845		9,690
		$	24,951	$	14,489

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 2017 and 2016, the main items comprising the financial margin were as follows:

a. *Interest income*

	2017	2016
Loan portfolio (1) (Note 34a)	$ 28,536	$ 22,855
Commissions from opening of credit lines (Note 34a)	192	544
Premiums from sale and repurchase agreements (Note 9b)	3,167	1,715
Investments in securities (Note 33b)	10,236	5,210
Deposits on Banxico (Note 33b)	619	370
Financing on national and foreign banks (Note 33b)	56	41
Amortization from loan portfolio valuation (Note 11)	(194)	(289)
Valuation of foreign currency and UDI'S (Note 34a)	429	186
Dividends from equity instruments, net (Note 34b)	439	356
From margin accounts	93	109
	$ 43,573	$ 31,097

(1) Interest from foreign exchange rate were as follows:

	2017	2016
Simple	$ 12,191	$ 9,574
Unsecured loans	725	535
Subject to Value Added Tax (IVA)	396	429
Re-structured	1,312	1,465
Financing institutions	735	86
Other discounted loans	9	10
Governmental institutions	1,760	1,455
Discounted loans	121	40
Leasing	9	10
Mortgage loans	630	506
Pledged loans	4	10
Consumer loans	10,644	8,735
	$ 28,536	$ 22,855

b. *Premium income*

	2017	2016
Premium issued (1)	$ 22,845	$ 22,105
Ceded Premium	(4,470)	(4,491)
	$ 18,375	$ 17,614

(1) Below is the composition of the premiums broken down by operation and branch:

Branch	Number of policies per operation and branch		Certificates / Incidents / Insured / Pensioners / Trusted		Premium issued	
Year:	2017	2016	2017	2016	2017	2016
Individual life	2,846,342	2,974,061	2,871,120	2,998,260	5,304	5,173
Life Group	1,945	1,878	3,645,419	2,973,786	1,473	1,407
Total Life Operation	**2,848,287**	**2,975,939**	**6,516,539**	**5,972,046**	**6,777**	**6,580**
Personal accidents	2,402	2,270	1,643,043	1,439,485	72	51
Medical expenses	57,738	61,454	2,985,590	3,013,524	3,542	3,313
Total Operation of Accidents and Diseases	**60,140**	**63,724**	**4,628,633**	**4,453,009**	**3,613**	**3,365**
Civil Liability and Professional Risks	58,256	54,476	4,131,625	4,412,168	1,070	743
Maritime and Transport	1,690	1,325	1,124	1,095	970	1,077
Fire	48,494	43,367	1,561,579	1,020,879	2,695	2,242
Cars	495,658	522,610	2,151,959	2,224,914	4,580	4,381
Catastrophic Risks	26	26	1,484,303	1,525,778	27	27
Various	40,814	31,944	4,504,255	4,708,001	1,173	1,824
Total Damage Operation	**71,734**	**102,386**	**4,782,441**	**4,979,346**	**10,515**	**10,294**
Pensions derived from the Social Security Laws	**20,168**	**20,500**	**27,415**	**28,770**	**16**	**23**
Fidelity	287	244	287	244	1,845	1,710
Judicial	33,644	33,980	33,644	33,980	2	2
Administrative	17,215	18,103	17,215	18,103	142	192
Credit	20	20	20	20	2	2
Total Bail Bonds Operation	51,166	52,347	51,166	52,347	1,991	1,906
Total Consolidated	**3,051,495**	**3,214,896**	**16,006,194**	**15,485,518**	**22,912**	**22,167**

c. *Net increase in technical reserves*

	2017	2016
Reserve for unexpired risks	$ 2,107	$ 2,741
Catastrophic risk reserve	361	796
Other	(231)	(650)
	$ 2,237	$ 2,887

Losses, claims and other contractual obligations, net

	2017	2016
Siniestros y obligaciones contractuales	$ 10,069	$ 8,565
Reclamaciones netas	1,578	1,445
Pensiones de la seguridad social	975	965
	$ 12,622	$ 10,975

36. Commissions and fees collected

For the years ended December 31, 2017 and 2016, commissions and fees collected were as follows:

	2017	2016
Retirement's accounts management	$ 1,082	$ 1,009
Credit portfolio services (1)	4,614	3,955
Intermediation in money market	577	495
Intermediation in the stock market	471	434
Reinsurance and re-guarantee	39	226
Other commissions	3	2
	$ 6,786	$ 6,121

(1) Commissions from the loan portfolio are integrated as follows:

	2017	2016
Commercial:		
Business or commercial activity	$ 2,963	$ 1,504
Financial entities	-	1
Consumer	1,580	2,351
Mortgage	-	2
Credit letters	71	97
	$ 4,614	$ 3,955

37. Net gain on financial assets and liabilities

As of December 31, the net gain on financial assets and liabilities were as follows:

	2017	2016
Other products and benefits from sale and purchase contracts of securities		
Foreign exchange transactions	$ (4,175)	$ 5,302
Transactions in securities	8,812	969
Transactions in financial derivatives	4,185	(4,317)
	8,822	1,954
Results from valuation at market		
Foreign exchange transactions	919	466
Transactions in securities	4,606	2,991
Transactions in financial derivatives operations	(52)	(1,652)
	5,473	1,805
	$ 14,295	$ 3,759

38. Memorandum accounts

As of December 31, 2017 and 2016, 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. *Transactions on behalf of others*

i. Customers' securities received for safekeeping

		2017		2016
Government debt	$	169,621	$	135,780
Bank debt		97,298		104,143
Other debt		104,708		138,038
Equity instruments, net		2,189,901		1,889,983
	$	2,561,528	$	2,267,944

b. *Proprietary transactions*

i. Contingent assets and liabilities

As of December 31, the values of contingent assets and liabilities were as follows:

		2017		2016
Societal values given in custody				
Shares of variable capital	$	48,575	$	52,531
Unsecured bonds		10,790		3,104
CETES		2,006		1,390
PRLV		83		82
	$	61,454	$	57,107

ii. Assets held in trust or under mandate

As of December 31, the balances of transactions in which the Financial Group acts as a trustee or operates under mandate are as follows:

		2017		2016
Trusts				
Administrative	$	313,357	$	320,706
Investment		65,515		63,654
Guarantee		42		42
Transfer of title		95		95
		379,009		384,497
Mandate		1,194		1,288
	$	380,203	$	385,785

For the years ended on December 31, 2017 and 2016, income from fiduciary activities were $32 and $34, respectively.

c. *Assets in custody or management*

As of December 31, the balance was as follows:

	2017	2016
Securities held for safekeeping (1)	$ 177,286	$ 154,168
Securities held in guarantee	220,837	235,380
Notes subject to collection	23,856	21,150
Other	1,799	1,886
	$ 423,778	$ 412,584

(1) As of December 31, the Financial Group has custody of ADR. Information on the composition and fair values of the issuances is as follows:

		2017		2016	
Issuer	Series	Securities	Fair value	Securities	Fair value
VOLAR	A	670,724,460	$ 10,550	663,277,800	$ 20,568
AMX	L	6,994,176,185	118,551	6,804,854,675	88,668
AMX	A	151,422,966	2,555	166,190,826	2,164
GCARSO	A1	611,028	40	480,832	40
GFINBUR	O	2,781,880	89	4,715,410	148
GOMO	*	10,068,500	-	10,068,500	-
RASSINI	CPO	5,773	-	5,773	-
SITES	A	-	-	-	-
SITES	L	-	-	-	-
MFRISCOA-1	CPO	505,828	6	526,400	8
Total		7,830,296,620	$ 131,791	7,650,120,216	$ 111,596

39. Other Operating Income (expense), net

For the years ended December 31, were as follows:

	2017	2016
Recovery of loans previously written	$ 455	$ 355
Settlement of liabilities and reserves	49	533
Lease income	377	403
Impairments and write-offs	(448)	(388)
Income from administrative services	1,234	1,147
Rights products or policies	288	288
Credit portfolio acquisition	20	34
Other	197	416
Total	$ 2,172	$ 2,788

40. Operations with related parties

According with accounting 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, 2017 and 2016, the balance were $1,361 and $1,081, respectively.

Operations with related parties are done using market terms, according to existing conditions at the date of the operation.

a. **Contrats -** 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 Group has entered into administrative trust agreements with its related parties.
- The Group has outstanding loans extended to its related parties.
- The Financial Group (regularly) 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, 2017 and 2016 are described in detail in Note 20.

b. ***Operations*** - As of December 31, 2017 and 2016, principal operations celebrated with related parties were as follows:

Relation	Operation	2017	2016
Income:			
Affiliated	Interest income	$ 1,220	$ 1,781
Affiliated	Premiums collected from sale and repurchase operations	103	53
Affiliated	Commissions and fees collected	246	153
Affiliated	Commission from shares distribution	277	253
Affiliated	Utilities from derivatives	441	485
Affiliated	Fiduciary operations	25	35
		$ 2,312	$ 2,760

Relation	Operation	2017	2016
Expenses:			
Affiliated	Interest expense	$ 227	$ 62
Affiliated	Premiums paid from sale and repurchase agreements	307	555
Affiliated	Personnel service administration	2,647	2,118
Affiliated	Leasing	84	70
Affiliated	Commissions from public share offering	72	59
		$ 3,337	$ 2,864

Relation	Operation	2017	2016
Variations in capital:			
Stockholders		856	1,024
	Dividends paid	3,047	$ 2,928
Stockholders			

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 2017 and 2016, corresponding to short-term benefits, amounted to $232 and $228 respectively. There is no provision of benefits based on payment in shares.

d. ***Balances*** - Main accounts receivable and payable with related parties as of December 31, 2017 and 2016, were as follows:

Relation	Operation	2017	2016
Affiliated and associated	Derivative financial instruments (1)	$ (1,336)	$ 15,198
Affiliated	Loan portfolio	19,855	13,502
Affiliated	Debtors in repurchase agreements	253	-
Affiliated	Deposits	6,810	1,804
Affiliated	Time deposits	66	70
Affiliated	Credit commitments (letter of credits)	874	2,013
Affiliated	Management and safekeeping of securities	2,694,288	2,404,158
		$ 2,720,810	$ 2,436,745

(1) As of December 31, 2017 and 2016, the Financial Group has forward and swaps contracts with related parties. Regarding forward contracts as of December 31, 2017 and 2016, the Financial Group has 9 and 10 contracts with related parties with a notional value of $36,284 and $26,018 respectively; regarding operations in swaps, the Financial Group has 71 and 130 contracts, respectively with related parties at a notional value of $59,678 and $46,337, 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 Banxico.

The provisions issued by the Commission establish the obligation whereby credit institutions must disclose, through notes to their 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.

On December 2, 2005, the Commission issued the general provisions applicable to credit institutions (Sole Circular), which requires that the Internal Audit area perform a comprehensive risk management audit at least once a year or at the yearend close. The Internal Audit area performed this activity according to current standards and subsequently presented its results to the Board of Directors' Meeting on January 26, 2017.

a. ***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.

b. ***Market risk -*** To measure and evaluate the risk assumed through its financial transactions, the financial group utilizes computerized tools to calculate the Value at Risk (VaR), while also analyzing the results of sensitivity and stress tests performed under extreme conditions.

To demonstrate statistically that the market risk measurement model generates reliable results, the financial group tests the reliance level of the hypothesis used to make this measurement. The hypothesis test involves applying a Ji-Squared test (Kupiec Test) to the proportion represented by the number of times that the loss actually observed exceeds the estimated risk level.

The financial group currently calculates the market risk of its money market, international bond, variable income and derivatives portfolios.

The value at Risk at the end of 2017, was as follow:

Instrument	Market value	Value at risk (1)	% VaR vs Basic capital
Exchange market	$ 7,648.33	$ 41.26	0.06%
Nominal rate	29,017.06	104.07	0.14%
Real rate	13,012.66	15.50	0.02%
Derivatives (1)	(2,827.04)	176.65	0.24%
Variable income	5,036.74	53.04	0.07%
Total	$ 51,887.76	$ 169.97	
Basic capital as of September, 30 2017	72,205.40		

Value at Risk with a 95% reliance level and a one-day horizon.

(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, 2017, would be $3,226 and $3,945 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
01/30/2017	$ 635
02/27/2017	619
03/30/2017	549
04/30/2017	518
05/29/2017	557
06/30/2017	560
07/31/2017	123
08/31/2017	212
09/30/2017	160
10/30/2017	230
11/30/2017	220
12/31/2017	170
Weighted average	$ 434

For the measurement of market risk, the Financial Group used the VaR Montecarlo model at one day at 95% confidence, using the values of the risk factors of the last 252 days.

The Financial Groups' most significant risk position is its derivatives position, which is composed by futures and forward currency, 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 and a 60-day horizon, 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. In addition, the financial group has mechanisms of investment that includes prepayment dynamics of the different types of credits.

c. ***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 concentration levels of the portfolio of financial instruments within the following limits of risk VaR..

The concentration of risk factors in the portfolio of financial instruments is as follows:

Portfolio	Historic Limit VaR
Nominal Rate	10.00%
Real Rate	10.00%
Currency and Synthetics	15.00%
Variable Income	10.00%
Swaps	20.00%
Options	10.00%
Credit Derivatives	10.00%

The VaR observed by risk factor at the end of December 2017 is:

Portfolio	Montecarlo Limit VaR
Nominal Rate	0.14%
Real Rate	0.02%
Currency and Synthetics	0.06%
Variable Income	0.07%
Swaps	0.11%
Options	0.01%

d. ***Liquidity risk*** **-** To monitors the liquidity, the Risk Management area calculates the liquidity gaps, so it considers the financial group's financial assets and liabilities, as well as the credits it grants.

The Financial Group also measures the adverse margin by considering the difference between the purchase and sales prices of financial assets and liabilities.

Additionally, the liquidity risk in foreign currency is monitored in accordance with Banxico's foreign currency investment and acceptance regime, which represents the ability of the Financial Group to meet its short-term liquidity needs (1 to 60 days).

	2017	
	Balance as per index	Liquidity index
January	$ 666	1.34%
February	1,985	3.44%
March	1,950	6.37%
April	2,548	10.78%
May	1,818	3.88%
June	497	1.15%
July	938	2.55%
August	870	1.48%
September	1,335	2.50%
October	3,027	6.79%
November	3,179	6.98%
December	3,032	7.56%
Average	$ 1,821	4.57%

For the determination of the liquidity ratio, the financial group considers liquid assets denominated in foreign currency according to the provisions of Circular 3/2012 issued by the Bank of Mexico so as to hedge foreign currency liabilities within transaction maturity periods.

Coefficient of Liquidity Coverage (CCL)

In order to strengthen adequate liquidity management, Banco Inbursa calculates the Liquidity Coverage Ratio, a short-term metric that aims to ensure that the Financial Group maintains a sufficient level of high-quality liquid assets free of liquidity charges that can be transformed into cash to meet liquidity needs within 30 days.

		Amount unweighted (Average)	Weighted Amount (Average)
COMPUTABLE LIQUID ASSETS			
1	Total of Computable Liquid Assets	-	34,018
CASH OUTFLOWS			
2	Non-guaranteed retail financing	87,863	6,446
3	Stable financing	46.798	2,340
4	Less stable financing	41,065	4,106
5	Non-guaranteed wholesale financing	25,364	12,947
6	Operational deposits	-	-
7	Non-operational deposits	22,531	10,115
8	Unsecured debt	2,832	2,832
9	Guaranteed wholesale financing	-	83
10	Additional requirements	86,280	10,030
11	Outputs related to derivative financial instruments and other guarantee requirements	4,426	4,239
12	Outflows related to financing losses of debt instruments	-	-
13	Lines of credit and liquidity	81,855	5,791
14	Other contractual financing obligations	23,031	2
15	Other contingent financing obligations	2,195	2,195
16	**TOTAL CASH OUTPUTS**	No aplica	31,703
CASH ENTRIES			
17	Cash inflows for guaranteed transactions	5,369	3
18	Cash inflows from unsecured operations	25,379	11,929
19	Other cash inflows	903	903
20	**TOTAL CASH ENTRIES**	31,651	12,836
21	Total computable liquid assets	No aplica	34,018
22	Total net of cash outflows	No aplica	18,868
23	Coefficient of liquidity coverage	No aplica	196.57%

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.

Transactions with financial derivative instruments

With regard to the liquidity risk of derivative financial instruments, the following is an analysis of the asset and liability maturities of the liquidity gaps, which shows the remaining contractual maturities.

The risk system uses the traditional asset and liabilities management model, which consists of classifying the active and passive components of each instrument recorded in the portfolio based on the different maturity windows; e.g., the US dollar analysis of a long-term currency forwards position will contain the active receivable component denominated in dollars at the Spot exchange rate plus the interest accrued by the cost of converting this amount to the passive dollar rate. Similarly, the Mexican peso analysis considers the interest accrued by the portion of the conversion cost incurred based on the active position denominated in pesos, i.e., liquidity risk analyses can be performed for different time frames and horizons classified by market type and currency.

The liquidity model considers the quality of liquidity of the assets in the portfolio, as well as the mismatch between assets and liabilities and their condition in the term.

The liquidity model considers the quality of liquidity of the assets in the portfolio, 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	$ 64,155	$19,716	$ 10,657	$ 6,700	$ 44,625	$ 12,918	$ 347,126
Liabilities	118,352	32,809	8,728	15,542	37,462	613	194,658
Gap	(54,198)	(13,093)	1,929	(8,843)	7,163	12,305	152,468
Cum.Gap	(54,198)	(67,291)	(65,362)	(74,205)	(67,042)	(54,737)	97,732

e. ***Credit risk:*** 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, 2017 are as follows:

	Total	Mortgage	Consumer	Commercial
Balance	$ 257,896	$ 6,853	$ 2,502	$ 248,541
Expected loss	5,012	304	478	4,230
VaR (95%)	-	312	485	8,814
Unexpected loss	4,599	8	7	4,584

Currency	Performing loan portfolio	Non-performing loan portfolio	Expected loss (PE)	Number of times for allowance in non-performing loans	% Expected loss / Performing loan
Mexican peso	$ 140,582	$ 2,671	$ 2,896	48.5	2.02%
UDI'S	2	-	-	-	4.51%
US dollar	108,135	321	1,131	337	1.60%

The average value of the risk credit exposure is as follow:

Expected impairment as of	Total
31/01/2017	$ 6,070.84
28/02/2017	6,252.89
31/03/2017	6,228.61
30/04/2017	6,365.43
31/05/2017	6,242.45
30/06/2017	4,230.57
31/07/2017	4,202.06
31/08/2017	4,121.52
30/09/2017	4,122.86
31/10/2017	4,168.77
30/11/2017	4,026.34
31/12/2017	5,012.52
Average	$ 5,087.07

Details of the performing portfolio are presented below:

Concept	Amount
Non-revolving consumer	$ 47,609
Corporate	140,700
Financial entities	8,382
States and municipalities - guaranteed	24,374
Mortgage	6,212
MyPyMes	53,505
	$ 280,782

The Unexpected Loss (PNE) as of December 31, 2017, is below.

	Balance	Reserve: Expected loss	VaR (95%)	PNE
Mortgage	$ 6,853.43	$ 304.23	$ 312.70	$ 8.46
Consumer	$ 2,502.33	$ 478.10	$ 485.20	$ 7.10
Commercial	$ 248,540.86	$ 4,230.19	$ 8,814.51	$ 4,584.32

Credit Risk Potential to Maturity, as of December 31, 2017, are as follow:

Credit Risk Financial Instruments	2017 Credit Risk Potential to Maturity	2016 Credit Risk Potential to Maturity
Swaps	$ 304	$ 185
Foreign exchange and forwards	310	1,151
Nominal rate	4	14
Real rate	44	13
	$ 662	$ 1,363

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 Banxico, as well as with other participants, which must guarantee the obligations detailed in the contracts executed with the involved parties.

- ***Credit management***

Las actividades de gestión crediticia que mantiene el Grupo Financiero con relación a la evaluación y análisis en el otorgamiento de crédito, control y recuperación de su cartera de crédito se describen a continuación:

- ***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.

- ***Distressed portfolio identification***

The policies and procedures used by the financial group to determine the credit portfolio risk concentrations are summarized below:

- The Financial Group requires that borrowers with authorized credit lines equal to or exceeding the amount of thirty million investment units (UDIs) 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.

f. ***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 prior quarter calculated by Banxico.

- ***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 Banxico 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 institution issue an annual communique to confirm its compliance with the provisions issued by Banxico 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.

g. 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.

h. Legal risk - The specific legal risk policy utilized by the financial group defines the following:

1. The UAIR is responsible for quantifying the estimated legal risk.

2. La UAIR, deberá de informar mensualmente al Comité de Riesgos sobre el Riesgo Legal de la Institución para efectos de su seguimiento

3. Es responsabilidad del asesor financiero en coordinación con el área de Tráfico Documental, mantener en forma completa y correcta los expedientes de los clientes en lo concerniente a los documentos legales, convenios o contratos.

4. The legal area must monitor the adequate execution of agreements or contracts, including the formalization of guarantees to avoid transaction performance defects.

5. The statutory auditor must carry out at least once a year a legal audit to the Financial Group.

Calculation of potential loss due to legal risk

The calculation is made taking into consideration the following premises:

- Litigation in which the Company is "plaintiff" 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"

Calculation methodology

Unfavorable verdict probability calculation = (Unfavorable frequency) x (Severity)
Unfavorable frequency = (Total unfavorable judgments) / (Total judgments to litigate)
Severity = (∑ unfavorable quantity demanded) / (Total unfavorable judgments))

Expected loss = (∑ unfavorable quantity demanded) x (Unfavorable frequency)

As of December 31, 2017, the loss expected from unfavorable verdicts is $24.96 million.

i. ***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, 2017, the monthly average of the fine and bankruptcy, considering the last 36 months was $8.56 million.

j. ***Of the non-quantifiable risks -*** they are those that are derived from unexpected events, for which it is not possible to compile a history that allows to show what the losses would be that they could have. These include: Strategic Risk, Reputation Risk and Business Risk.

k. ***Strategic Risk: -*** are those losses that the Institution may face due to adverse business decisions, inappropriate application of decision making, or lack of 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 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%**

Reputation Risk: are those losses that the Institution 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 company. This risk is measured in relation to complaints.

Indicator	Limit
Total of Complaints	<= 10,000

Business Risk: re those losses that the Institution may confront, resulting from the characteristics of its business, economic changes or in its environment.

Indicator	Limit
ICOR Commercial	At least 1 time
ICOR Consumer	At least 1 time
ICOR Mortgage	At least 0.5 time

On December 31, 2017, no relevant events have been reported.

42. Leverage ratio

In accordance with the compliance with the Basel supervision agreements as of June 2017, the leverage ratio is calculated according to the methodology established by the Commission, in order to see if the capital of the Financial Group adequately supports the assets of the Financial Group itself. The following is the leverage ratio at the close of 2017:

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)	$	351,714
2	(Amounts of assets deducted to determine Tier 1 capital of Basel III)		(21,679)
3	In-balance sheet exposures (net) (excluding derivative financial instruments and FTS, sum of lines 1 and 2)		330,035
Exposure to financial derivative instruments			
4	Current replacement cost associated with all transactions with financial derivative instruments (net of the allowable cash variation margin)		2,108
5	Amounts of additional factors for potential future exposure associated with all derivative financial derivative transactions		8,388
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		-

Reference	Description	Amount
7	(Deductions from accounts receivable by margin of variation in cash provided in transactions with derivative financial instruments)	(3,930)
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)	6,566

Reference	Description	Amount
Exposure to securities financing operations		
12	Gross SFT assets (without offsetting recognition), after adjustments for sales accounting transactions	9,006
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)	9,006
Other off-balance sheet exposures		
17	Off-balance sheet exposure (gross notional amount)	70,472
18	(Conversion adjustments to credit equivalents)	(20,871)
19	Out-of-balance items (sum of lines 17 and 18)	49,602
Capital and total exposures		
20	Level 1 capital	75,515
21	Total exposures (sum of lines 3, 11, 16 and 19)	395,210
Leverage ratio		
22	Basel III leverage ratio	19.11%

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 CUB). The amount must be registered with a negative sign.
3	Sum of lines 1 and 2

Reference	Explanation
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 Institution. 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.

Reference	Explanation
5	Additional factor according to Annex 1-L of the CUB, 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 CUB 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. 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.
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	Sum of lines 4 to 10
11	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.
12	Additional factor according to Annex 1-L of the CUB, 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 CUB 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.

Reference	Explanation
13	
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 institutions, 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
17	Amounts of credit commitments recognized in memorandum accounts in accordance with accounting criteria.

Reference	Explanation
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 of the CUB, 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 Provisions of the CUB.
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	$ 369,515
2	Adjustment for investments in the equity of banks, financial institutions, insurance companies or commercial entities which consolidate for accounting purposes, but remain outside the scope of regulatory consolidation.	(20,058)
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	(2,887)
5	Adjustment for repurchase agreements and securities loans transactions	859
6	Adjustment for items recognized in memorandum accounts.	49,602
7	Other adjustments	(1,621)
8	Exposure to the leverage coefficient	395,210

Reference	Description
1	Total assets of the Financial Group without consolidating subsidiaries or special purpose entities. 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 General provisions applicable to credit institutions. The amount should be recorded with a negative sign.
2	Not applicable. The scope of application is for the Financial Group, without consolidating subsidiaries or special purpose entities. 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.
3	Total assets of the Financial Group without consolidating subsidiaries or special purpose entities. 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 General provisions applicable to credit institutions. The amount should be recorded with a negative sign.
4	Not applicable. The scope of application is for the Financial Group, without consolidating subsidiaries or special purpose entities.

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. Amount recorded in row 19 of Table I.1. The amount should be recorded with a positive sign.
6	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.
7	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 General provisions applicable to credit institutions. 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.

43 New accounting pronouncements

As of December 31, 2017, the CINIF has issued the following NIFs and Improvements to NIFs which may affect the consolidated financial statements of the Financial Group:

a. Improvements to NIF 2018 - The following improvements were issued which generate accounting changes effective as of January 1, 2018:

NIF B-2, Statement of cash flows - For liabilities from financing activities, requires disclosure of the relevant changes in cash flows, and preferably the initial and closing balances of such items should be reconciled.

NIF B-10, Effects of inflation - Also requires disclosure of the accumulated inflation percentage for three years, which includes the previous two years and the period referred to in the current financial statements that will be used as the basis to classify the economic environment in which the entity will operate in the following year.

NIF C-6, Property, plant and equipment and NIF C-8, Intangible assets - The depreciation and amortization method based on revenues cannot be used, except where the revenues and the consumption of the economic benefits from the assets follow a similar pattern.

b. Improvements to NIF 2018 - The following improvements do not generate accounting changes:

NIF B-7, Business acquisitions - It is clarified that a contingent liability of a business acquired should be recognized at the purchase date as a provision, if such item represents a present obligation for the business acquired as a result of past events.

NIF B-15, Translation of foreign currencies - In financial statements where the functional currency is different from the Mexican peso, the entity should, among others, determine in its functional currency: a) the fair value of the items in which it is applicable, b) conduct impairment tests on the value of the asset and c) determine the deferred tax liabilities or assets, etc.

NIF C-2, Investment in financial instruments; NIF C-3, Accounts receivable; NIF C-10, Financial derivatives and hedging relationships; NIF C-16, Impairment of financial instruments receivable; NIF C-19, Financial instruments payable; and NIF C-20, Financial instruments receivable - These six new NIF related to financial instruments are not yet effective; however, clarifications were made to unify and standardize the terms used therein so as to ensure consistency.

c. The following NIF were issued and are effective January 1, 2018:

NIF B-17, Determination of fair value
NIF C-3, Accounts receivable
NIF C-9, Provisions, contingencies and commitments
NIF D-1, Revenues from contracts with customers

Effective January 1, 2019:

NIF B-17, Determination of fair value - Defines fair value as the exit price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date (in other words, a current value based on an exit price). To determine the fair value the following must be considered: a) The specific asset or liability being valued; b) for a nonmonetary asset, the highest and best use of the asset, and, if the asset is used in combination with other assets or on an independent basis; c) the market in which an orderly transaction would take place for the asset or the liability; and d) the appropriate valuation technique or techniques to determine the fair value, which should maximize the use of relevant observable entry data and minimize non-observable entry data.

NIF C-3, Accounts receivable - The main changes consist of specifying that: a) the accounts receivable based on a contract represent a financial instrument; b) the allowance for bad debts for commercial accounts is recognized from the time the revenue is accrued, based on the expected credit losses; c) the time value of money should be considered as of the initial recognition; consequently, if the effect of the present value of the account receivable is material based on its term, it should be adjusted based on such present value, and d) required disclosures include an analysis of the change between the opening and closing balances of the allowance for bad debts.

NIF C-9, Provisions, contingencies and commitments - The term probable replaced the term virtually avoidable in the definition of liabilities. The first-time application of this NIF does not generate accounting changes in the financial statements.

NIF D-1, Revenues from contracts with customers - Previously there was no Mexican accounting standard for revenue recognition, for which reason the main changes focus on providing greater consistency in revenue recognition and eliminating weaknesses in the previous supplemental standards. The most important changes consist of establishing a model for revenue recognition based on the following steps: a) transfer of control, the basis for the timeliness of revenue recognition; b) the identification of the different performance obligations in a contract; c) the allocation of the transaction amount between the different unfulfilled obligations based on independent selling prices; d) the introduction of the concept conditional account receivable, when an unfulfilled obligation is satisfied and an unconditional right to the consideration is generated because only the passage of time is required for the payment of such consideration to become enforceable; e) the recognition of collection rights, where in certain cases there may be an unconditional right to the consideration before an unfulfilled obligation is satisfied, and f) the valuation of the revenue, considering aspects such as the recognition of significant financing components, the noncash consideration cash and the consideration payable to a customer.

NIF D-5, Leases - The accounting recognition for the lessor remains the same and only disclosure requirements are added. For the lessee it introduces a single recognition model for leases which eliminates their classification as operating or capital leases, so the latter should recognize the assets and liabilities of all leases of over 12 months (unless the underlying asset is low value). Consequently, the most important impact will be an increase in the assets leased and in the financial liabilities of a lessee when recognizing an asset for the right to use the underlying asset leased and a lease liability which reflects the obligation of the lease payments at present value. The following aspects should be considered when this NIF is applied: a) a lease is defined as a contract which transfers to the lessee the right to use an asset for a determined period of time in exchange for a consideration; therefore, it should be evaluated, at the start of the contract, whether the right to control the use of an identified asset for a determined period of time is obtained; b) it changes the nature of the expenses related with leases, by replacing the expense for operating lease in accordance with Bulletin D-5, with an expense for depreciation or amortization of the assets for the right of use (in operating costs) and an interest expense on the lease liabilities (in comprehensive financing result); c) it modifies the presentation in the statement of cash flows when reducing the cash flows from operating activities, with an increase in outlays of cash flows from financing activities to reflect the payments of the lease liabilities; d) it modifies the recognition of the gain or loss when a vendor-lessee transfers an asset to another entity and leases that asset back.

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.

44 Authorization of financial statements

The accompanying consolidated financial statements and the corresponding notes were authorized by the Financial Group's management for issuance on February 28, 2018, 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 provisions of the General Law of Commercial Companies. Also, they are subject to review by the Commission, so that they may be modified as a result of this review by this supervisory authority.

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Banco Inbursa, S.A. Institución de Banca Múltiple, Grupo Financiero Inbursa and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2017 and 2016
(In millions of Mexican pesos)

Assets	2017	2016
Funds available	$ 21,245	$ 19,293
Margin accounts	241	4,895
Investment in securities:		
Trading securities	56,509	63,253
Securities available for sale	425	-
	56,934	63,253
Receivables under sale and repurchase agreements	8,147	-
Derivatives		
Trading purposes	6,641	7,624
Hedging purposes	2,812	3,249
	9,453	10,873
Valuation adjustment for hedged financial assets	436	647
Performing loan portfolio:		
Commercial loans:		
Commercial or business activity	194,205	189,084
Financial entities	8,382	11,371
Government entities	24,374	23,680
Consumer loans	47,609	44,829
Mortgage loans	6,212	6,540
Total performing loan portfolio	280,782	275,504
Non-performing loan portfolio:		
Commercial loans:		
Commercial or business activity	4,861	3,930
Consumer loans	3,193	3,517
Mortgage loans	642	359
Total non-performing portfolio	8,696	7,806
Total loan portfolio	289,478	283,310
Allowance for loan losses	(11,746)	(12,088)
Total loan portfolio, net	277,732	271,222
Other receivables, net	18,062	21,876
Foreclosed assets, net	1,930	1,935
Property, furniture and fixtures, net	1,881	2,048
Long-term investments in shares	10,672	12,742
Deferred taxes, net	-	211
Other assets, deferred charges and intangibles, net	3,610	2,966
Total assets	$ 410,343	$ 411,961

Liabilities and Stockholders' equity	2017	2016
Deposits:		
Depósitos de exigibilidad inmediata:	$ 106,587	$ 81,996
Time deposits		
Customer deposits	24,295	22,248
Money market	7,480	25,479
	31,775	47,727
Credit instruments issued	95,251	117,728
Global account of deposits without movements	89	65
	233,702	247,516
Bank and other loans:		
Demand loans	6	-
Short-term loans	1,041	3,315
Long-term loans	35,714	26,398
	36,761	29,713
Derivatives:		
Trading purposes	12,374	14,354
Hedging purposes	12,804	13,442
	25,178	27,796
Other payables:		
Income taxes payable	1,087	737
Payables arising from settlement of transactions	4,185	9,293
Creditor of margin accounts	509	-
Cash collateral received	2,125	2,264
Sundry creditors and other payables	3,064	3,376
	10,970	15,670
Deferred taxes, net	8	-
Deferred revenues and other advances	1,184	1,027
Total Liabilities	307,803	321,722
Stockholders' equity:		
Paid-in capital:		
Capital stock	17,579	17,579
Share premium	7,685	7,685
	25,264	25,264
Other capital:		
Capital reserves	11,669	10,902
Retained earnings	47,051	40,804
Result from valuation of cash flow hedge instruments, net	245	874
Accumulated conversion effect	93	126
Gain from holding non-monetary assets	1,624	1,782
Net income	13,001	7,743
	98,947	87,495
Non-controlling interest	3,593	2,744
Total stockholders' equity	102,540	90,239
Total liabilities and stockholders' equity	$ 410,343	$ 411,961

Memorandum accounts

	2017	2016
Credit commitments	$ 92,903	$ 102,579
Assets in trust or under mandate	380,203	385,786
Assets in custody or under administration	421,525	410,796
Other record accounts	1,186,802	1,241,340
Collateral received	9,006	19,506
Uncollected interest earned on past due loan portfolio	1,780	3,228
Collateral received and sold or pledged as guarantee	853	19,506
	$ 2,093,072	$ 2,182,741

"As of December 31, 2017 and 2016, the historical capital amount is $ 8,344."

The accompanying notes are part of these consolidated financial statements.

Banco Inbursa, S.A. Institución de Banca Múltiple, Grupo Financiero Inbursa and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2017 and 2016
(In millions of Mexican pesos)

	2017	2016
Interest income	$ 37,238	$ 27,229
Interest expense	(17,091)	(10,780)
Financial margin	20,147	16,449
Allowance for loan losses	(10,053)	(6,613)
Financial margin after allowance for loan losses	10,094	9,836
Commission and fee income (Note 29)	6,219	5,450
Commission and fee expense	(1,973)	(1,845)
Net gain on financial assets and liabilities (Note 30)	10,254	409
Other operating income (Note 31)	480	1,107
Administrative and promotional expenses	(8,025)	(7,081)
Total operating income	17,049	7,876
Equity in results of non-consolidating subsidiaries and associates	1,335	1,079
Income before income taxes	18,384	8,955
Current income taxes	3,411	2,277
Deferred income taxes	1,009	(1,067)
	4,420	1,210
Net income	13,964	7,745
Non-controlling interest	(963)	(2)
Net income attributable to controlling interest	$ 13,001	$ 7,743

The accompanying notes are part of these consolidated financial statements.

Banco Inbursa, S.A. Institución de Banca Múltiple, Grupo Financiero Inbursa and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2017 and 2016
(In millions of Mexican pesos)

	Paid-in capital	
	Capital stock	Share premium
Balances as of January 1, 2016	$ 17,579	$ 7,685
Changes arising from stockholders' decisions -		
Transfer of net income from previous year to retained earnings and increases in capital reserves	-	-
Dividends declared	-	-
Total	-	-
Comprehensive income -		
Results from valuation of cash flow hedge instruments	-	-
Results from holding non-monetary assets	-	-
Accumulated conversion effect	-	-
Others	-	-
Net income	-	-
Total	-	-
Balances as of December	17,579	7,685
Changes arising from stockholders' decisions -		
Transfer of net income from previous year to retained earnings and increases in capital reserves	-	-
Dividends declared	-	-
Total	-	-
Comprehensive income -		
Results from valuation of cash flow hedge instruments	-	-
Results from holding non-monetary assets	-	-
Accumulative translation adjustment	-	-
Others	-	-
Net income	-	-
Total	-	-
Balances, December 31, 2017	$ 17,579	$ 7,685

The accompanying notes are part of these consolidated financial statements.

		Other capital					
Capital reserves	Retained earnings	Result from valuation of cash flow hedge instruments, net	Accumulated conversion effect	Gain from holding non-monetary assets	Net income	Total stockholders' equity	Total capital contable
$ 9,905	$ 34,193	$ (619)	$ (57)	$ 1,082	$ 9,890	$ 2,701	$ 82,359
997	8,893	-	-	-	(9,890)	-	-
-	(992)	-	-	-	-	-	(992)
997	7,901	-	-	-	(9,890)	-	(992)
-	(1,579)	1,493	-	-	-	-	(86)
-	-	-	-	700	-	-	700
-	-	-	183	-	-	-	183
-	289	-	-	-	-	41	330
-	-	-	-	-	7,743	2	7,745
-	(1,290)	1,493	183	700	7,743	43	8,872
10,902	40,804	874	126	1,782	7,743	2,744	90,239
767	6,976	-	-	-	(7,743)	-	-
-	(925)	-	-	-	-	-	(925)
767	6,051	-	-	-	(7,743)	-	(925)
-	196	(629)	-	-	-	-	(433)
-	-	-	-	(158)	-	-	(158)
-	-	-	(33)	-	-	-	(33)
-	-	-	-	-	-	(114)	(114)
-	-	-	-	-	13,001	963	13,964
-	196	(629)	(33)	(158)	13,001	849	13,226
$ 11,669	$ 47,051	$ 245	$ 93	$ 1,624	$ 13,001	$ 3,593	$ 102,540

Banco Inbursa, S.A. Institución de Banca Múltiple, Grupo Financiero Inbursa and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016
(In millions of Mexican pesos)

	2017	2016
Net income attributable to controlling interest	$ 13,001	$ 7,743
Adjustments for items that do not require cash flows:		
Depreciation of property, furniture and fixtures	403	375
Amortization of intangible assets	7	28
Amortization of debt emissions costs	118	103
Provisions	59	79
Initial accumulated financial effect of reserves of the allowance for credit losses	-	289
Current and deferred income taxes	4,420	1,210
Equity in results of non-consolidating subsidiaries and associates	(1,335)	(1,079)
Non-controlling interest	849	43
Adjustment for noncash items	17,522	8,791
Operating activities:		
Change in margin accounts	4,654	(2,172)
Change in investment in securities	6,319	(39,975)
Change in receivables under sale and repurchase agreements	(8,147)	7,386
Change in derivatives (asset)	983	(1,058)
Change in loan portfolio, net	(6,510)	(44,483)
Change in foreclosed assets, net	5	996
Change in other operating assets, net	3,696	(224)
Change in deposits	(13,814)	43,595
Change in bank and other loans	7,048	20,843
Change in derivatives (liability)	(1,980)	1,895
Payment of income tax	(5,143)	5,745
Change in other operating liabilities	(423)	3,411
Change in hedging instruments (transactions covered with operating activities)	(3,851)	(1,195)
Net cash used in operating activities	(17,163)	(5,236)
Investing activities:		
Payments for acquisition of property, furniture and fixtures	(236)	(552)
Collections for sales of other permanent investments	3,405	215
Payments for acquisition of intangible assets	(651)	(60)
Net cash generated by (used in) investing activities	2,518	(397)
Financing activities:		
Cash payment of dividends	(925)	(992)
Net cash used in financing activities	(925)	(992)
Net increase in cash and cash equivalents	1,952	2,166
Funds available at the beginning of the year	19,293	17,127
Funds available at the end of the year	$ 21,245	$ 19,293

The accompanying notes are part of these consolidated financial statements.

Seguros Inbursa, S.A., Grupo Financiero Inbursa y Subsidiarias

Balances generales consolidados

Al 31 de diciembre de 2017 y 2016 (En millones de pesos)

Activo	2017	2016
Inversiones		
Valores:		
Gubernamentales	$ 24,202	$ 21,723
Empresas privadas - tasa conocida	11,089	11,122
Empresa privadas - renta variable	8,766	8,674
Extranjero	1,141	1,775
	45,198	43,294
Deudores por reporto	-	123
Cartera de crédito, neta		
Cartera de crédito vigente	459	518
Cartera de crédito vencida	38	40
(-) Estimación preventiva por riesgo de crédito	(42)	(40)
	455	518
Inmuebles, neto	1,810	1,695
Inversiones para obligaciones laborales	1,827	1,671
Disponibilidad		
Caja y bancos	8	35
Deudores		
Por primas	7,428	6,727
Adeudos a cargo de dependencias y entidades de la administración		
Pública federal	736	696
Agentes y ajustadores	9	12
Documentos por cobrar	111	101
Otros	561	437
(-)Estimación para castigos	(122)	(115)
	8,723	7,858
Reaseguradores y reafianzadores, neto		
Instituciones de seguros y fianzas	522	524
Depósitos retenidos	1	1
Importes recuperables de reaseguro	10,809	30,950
(-)Estimación preventiva de riesgos crediticios de reaseguradores extranjeros	(2)	(4)
(-)Estimación para castigos	(19)	-
	11,311	31,471
Inversiones Permanentes		
Asociadas	1,529	501
Otros activos:		
Mobiliario y equipo (neto)	127	137
Activos adjudicados (neto)	17	18
Diversos	1,019	705
	1,163	860
Suma del activo	$ 72,024	$ 88,026

Pasivo	2017	2016
Reservas técnicas		
Riesgos en curso:		
Seguros de vida	$ 15,579	$ 14,597
Seguros de accidentes y enfermedades	1,953	1,764
Seguros de daños	6,078	5,767
De fianzas en vigor	40	42
	23,650	22,170
Reserva por obligaciones pendientes por cumplir		
Por pólizas vencidas y siniestros ocurridos. pendientes de pago	10,044	29,087
Por siniestros ocurridos y no reportados	2,044	3,514
Fondos de seguros en administración	1,126	1,036
Por primas en depósito	247	270
	13,461	33,907
Reserva de contingencia	28	43
Reserva de riesgos catastróficos	11,759	11,398
Reservas para obligaciones laborales	1,830	1,677
Acreedores		
Agentes	748	735
Fondos en administración de pérdidas	6	4
Diversos	966	894
	1,720	1,633
Reaseguradores y reafianzadores		
Instituciones de seguros y fianzas	792	710
Otras participaciones	71	60
	863	770
Contratos de reaseguro y financiero		
Otros pasivos		
Provisión para la participación de los trabajadores, en la utilidad	230	172
Provisión para el pago de impuestos	758	637
Otras obligaciones	1,243	1,123
Créditos diferidos	2,962	2,821
	5,193	4,753
Suma del pasivo	58,504	76,351
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	804	804
Otras	3,886	2,649
	4,690	3,453
Superávit por valuación	2,250	2,376
Inversiones permanentes	1,545	1,881
Resultado de ejercicios anteriores	989	583
Resultado del ejercicio	2,975	2,312
Participación controladora	13,516	11,672
Participación no controladora	4	3
Suma del capital	13,520	11,675
Suma del pasivo y del capital contable	$ 72,024	$ 88,026

Cuentas de orden

Fondos en administración	$ 1,798
Responsabilidades por fianzas en vigor	$ 11,910
Pérdida fiscal por amortizar	$ 1
Cuentas de registro	$ 10,565

Las notas adjuntas son parte de los estados financieros consolidados

"'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 reflejadas en su conjunto, las operaciones efectuadas por Seguros Inbursa, S.A., Grupo Financiero Inbursa y 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, y fueron registradas en las cuentas que corresponden conforme al catálogo de cuentas en vigor".

"'Los presentes balances generales consolidadoa 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: http://www.inbursa.com./Rein/Edofinanciero.html. Los estados financieros consolidados se encuentran dictaminados por el C.P.C. Pedro Enrique Jiménez Castañeda, miembro de la sociedad denominada Galaz, Yamazaki, Ruiz Urquiza, S.C. contratada para prestar los servicios de auditoría externa a Seguros Inbursa, S.A., Grupo Financiero Inbursa y Subsidiarias; asimismo, las reservas técnicas de Seguros Inbursa, S.A., Grupo Financiero Inbursa y Subsidiarias fueron dictaminadas por el Act. Luis Hernández Fragoso del despacho Consultores Asociados S.A.".

"El dictamen emitido por el auditor externo, los estados financieros consolidados y las notas que forman de los estados financieros consolidados dictaminados, se ubicarán para su consulta en Internet, en la página electrónica: http://www.inbursa.com./Rein/Edofinanciero.html, a partir de los cuarenta y cinco días hábiles siguientes al cierre del ejercicio de 2017".

Seguros Inbursa, S.A., Grupo Financiero Inbursa y Subsidiarias

Estados consolidados de resultados

Por los años que terminaron el 31 de diciembre de 2017 y 2016 (En millones de pesos)

	2017	2016
Primas		
Emitidas	$ 20,909	$ 20,240
Cedidas	4,369	4,346
De retención	16,540	15,894
(-) Incremento neto de la reserva de riesgos en curso y de fianzas en vigor	1,570	2,855
Primas de retención devengadas	14,970	13,039
(-) Costo neto de adquisición:		
Comisiones a agentes	1,272	1,309
Compensaciones adicionales a agentes	460	478
(-) Comisiones por reaseguro y reafianzamiento tomado	23	24
Comisiones por reaseguro cedido	(519)	(517)
Cobertura de exceso de pérdida	296	277
Otros	1,106	1,246
	2,638	2,817
(-) Costo neto de siniestralidad, reclamaciones y otras obligaciones pendientes de cumplir:		
Siniestralidad y Otras Obligaciones Contractuales	10,327	8,757
Siniestralidad Recuperada del Reaseguro no Proporcional	(258)	(205)
	10,069	8,552
Utilidad técnica	2,263	1,670
(-) Incremento neto de otras reservas técnicas		
Reserva para riesgos catastróficos	361	434
Reserva de contingencia	(15)	20
	346	454
Resultado de operaciones Análogas y Conexas	-	1
Utilidad bruta	1,917	1,217
(-) Gastos de operación netos		
Gastos administrativos y operativos	(1,088)	(813)
Remuneraciones y prestaciones al personal	3,030	2,579
Depreciaciones y amortizaciones	70	63
	2,012	1,829
Pérdida de operación	(95)	(612)

	2017	2016
Resultado integral de financiamiento		
De inversiones	2,241	1,629
Por venta de inversiones	(33)	501
Por valuación de inversiones	1,009	1,494
Por recargos sobre primas	203	189
Otros	13	70
Resultado cambiario	(49)	(45)
(-) Castigos preventivos por importes recuperables de reaseguro	(19)	(3)
(-) Castigos preventivos por riesgos crediticios	(2)	-
	3,363	3,835
Participación en el resultado de inversiones permanentes	571	33
Utilidad antes de impuesto a la utilidad	3,839	3,256
Provisión para el pago de impuesto a la utilidad	864	944
Utilidad neta del ejercicio	2,975	2,312
Participación no controladora	-	-
Participación controladora	$ 2,975	$ 2,312

Las notas adjuntas son parte de los estados financieros consolidados.

"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 Seguros Inbursa, S.A., Grupo Financiero Inbursa y Subsidiarias, por el período antes mencionado, 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."

Pensiones Inbursa, S.A., Grupo Financiero Inbursa y Subsidiaria

Balances generales consolidados

Al 31 de diciembre de 2017 y 2016
(En miles de pesos)

Activo	2017	2016
Inversiones		
Valores		
Gubernamentales	$ 18,531,751	$ 6,331,004
Empresas privadas. Tasa conocida	4,737,402	13,774,924
Empresas privadas. Renta variable	1,285,892	1,080,918
Extranjeros	1,018,414	-
	25,573,459	21,186,846
Operaciones con productos derivados	960	1,038
Deudor por reporto	-	170,852
Cartera de crédito, neto		
Cartera de crédito vigente	-	1,504,500
Cartera de crédito vencida	1,292,830	1,292,830
(-) Estimaciones preventivas por riesgo crediticio	(2)	(2)
	1,292,828	2,797,328
Inmuebles, neto	2,089,770	2,104,822
Disponibilidades		
Caja y bancos	41,799	49,504
Deudores		
Otros	157,772	170,028
(-) Estimación para castigos	(17,420)	(20,008)
	140,352	150,020
Inversiones permanentes		
Otras inversiones permanentes	159,446	159,446
Otros activos		
Mobiliario y equipo, neto	43,597	59,596
Activos adjudicados	57,644	57,644
Diversos	781,310	312,391
Activos intangibles amortizables, netos	3,609	3,609
Activos intangibles de larga duración, netos	(82,148)	(50,730)
	804,012	382,510
Suma del activo	$ 30,102,626	$ 27,002,366

Pasivo	2017	2016
Reservas técnicas		
De riesgos en curso		
Seguros de vida	$ 15,266,412	$ 14,821,523
Reserva de obligaciones pendientes de cumplir		
Por pólizas vencidas y siniestros ocurridos pendientes de pago	132,715	115,365
Por primas en depósito	385	352
	133,100	115,717
Reserva de contingencia	296,914	288,246
Reserva de seguros especializados	297,394	527,039
Acreedores		
Agentes y ajustadores	-	57
Diversos	27,183	21,731
	27,183	21,788
Operaciones con productos derivados de valor razonable	19,105	-
Otros pasivos		
Provisión para la Participación de los Trabajadores en la Utilidad	52	95
Provisión para el pago de impuestos	601,279	185,998
Otras obligaciones	22,771	21,703
Créditos diferidos	(32,422)	(31,329)
	591,680	176,467
Suma del pasivo	16,631,788	15,950,780
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	846,634	846,634
Otras	742,875	3,580,364
	1,589,509	4,426,998
Superávit por valuación	-	45,597
Inversiones permanentes	4,524,249	4,168,067
Resultados de ejercicios anteriores	3,456,913	129,769
Resultado del ejercicio	2,437,441	847,431
	10,418,603	5,190,864
Participación controladora	13,116,495	10,726,245
Participación no controladora	354,343	325,341
Suma el capital contable	13,470,838	11,051,586
Suma del pasivo y del capital contable	$ 30,102,626	$ 27,002,366

Pensiones Inbursa, S.A., Grupo Financiero Inbursa y Subsidiaria

Estados consolidados de resultados

Por los años que terminaron el 31 de diciembre de 2017 y 2016
(En miles de pesos)

	2017	2016
Primas emitidas	$ 16,725	$ 22,741
(-) Incremento neto de la reserva de riesgos en curso	464,856	(16,355)
Primas devengadas	(448,131)	39,096
(-) Costo neto de adquisición	8	41
(-) Costo neto de siniestralidad, reclamaciones y otras obligaciones pendientes de cumplir	974,583	965,145
Pérdida técnica	(1,422,722)	(926,090)
(-) Incremento neto de otras reservas técnicas		
Reserva de contingencia	8,668	(719)
Otras reservas	(229,645)	118,615
Pérdida bruta	(1,201,745)	(1,043,986)
(-) Gastos de operación netos		
Gastos administrativos y operativos	(187,783)	(167,185)
Remuneraciones y prestaciones al personal	141,640	89,739
Depreciaciones y amortizaciones	32,515	30,377
	13,628	(47,069)
Pérdida de la operación	(1,188,117)	(996,917)
Resultado integral de financiamiento:		
De inversiones	1,153,342	1,018,679
Por venta de inversiones	1,874,890	56,388
Por valuación de inversiones	1,126,155	1,135,489
Otros	94,039	120,261
Resultado cambiario	26,832	(181,797)
	4,275,258	2,149,020
Utilidad antes de impuestos a la utilidad	3,087,141	1,152,103
(-) Provisión para el pago de impuestos a la utilidad	620,636	287,649
Utilidad antes de operaciones discontinuas	2,466,505	864,454
Participación controladora	2,437,441	847,431
Participación no controladora	29,064	17,023
Utilidad del ejercicio consolidada	$ 2,466,505	$ 864,454

Las notas adjuntas son parte de los estados financieros consolidados.

“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 Pensiones Inbursa, S.A., Grupo Financiero Inbursa y Subsidiaria 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 de resultados consolidado fueron aprobados por el Consejo de Administración bajo la responsabilidad de los funcionarios que los suscriben”.

Fianzas Guardiana Inbursa, S.A., Grupo Financiero Inbursa

Balances generales

Al 31 de diciembre de 2017 y 2016 (En miles de pesos)

Activo	2017	2016
Inversiones:		
Valores		
Gubernamentales	$ 836,696	$ 1,523,574
Empresas privadas tasa conocida	9,870	41,426
Empresas privadas renta variable	674,441	561,572
	1,521,007	2,126,572
Cartera de crédito (neto)		
Cartera de crédito vigente	10,915	12,156
Cartera de crédito vencida	71	465
(-) Estimaciones preventivas por riesgo crediticio	(394)	(424)
	10,592	12,197
Inmuebles (neto)	342,746	329,891
Inversiones para obligaciones laborales	4,311	4,006
Disponibilidad		
Caja y bancos	1,896	5,035
Deudores		
Por primas	482,412	402,467
Agentes y ajustadores	161	-
Deudores por responsabilidades de fianzas por reclamaciones pagadas	14,213	11,477
Otros	24,041	14,494
(-) Estimación para castigos	(11,437)	(11,278)
	509,390	417,160
Reaseguradores y reafianzadores (neto)		
Instituciones de seguros y fianzas	17,540	15,331
Importes recuperables de reaseguro	121,015	131,074
(-) Estimación preventiva de riesgos créditicios de reaseguro extranjero	(123)	(141)
(-) Estimación para castigos	(68)	(68)
	138,364	146,196
Inversiones permanentes		
Subsidiarias	59,485	61,287
Asociadas	657,468	170,303
	716,953	231,590
Otros activos		
Mobiliario y equipo (neto)	103	116
Activos adjudicados (neto)	1,477	1,477
Diversos	373,622	265,858
Activos intangibles amortizables (neto)	(35,721)	(27,221)
Activos intangibles de larga duración (neto)	385	136
	339,866	240,366
Suma del activo	$ 3,585,125	$ 3,513,013

Pasivo	2017	2016
Reservas técnicas:		
De riesgos en curso:		
De fianzas en vigor	$ 926,674	$ 864,910
Reserva de contingencia	336,510	331,073
	1,263,184	1,195,983
Reservas para obligaciones laborales	2,704	2,405
Acreedores:		
Agentes y ajustadores	198	1,200
Diversos	30,248	30,483
	30,446	31,683
Reafianzadores y reafianzadores:		
Instituciones de seguros y fianzas	7,941	1,940
Depósitos retenidos	2,170	2,275
Otras participaciones	4,798	3,005
	14,909	7,220
Otros pasivos		
Provisión para el pago de impuestos	155,780	409,342
Otras obligaciones	94,358	84,665
Créditos diferidos	83,686	54,427
	333,824	548,434
Suma del pasivo	1,645,067	1,785,725
Capital contribuido		
Capital social pagado:		
Capital social	310,161	193,220
Capital social no suscrito	(75,000)	(35,000)
	235,161	158,220
Capital ganado		
Reserva legal	185,401	158,220
Superavit por valuación	86,658	75,832
Inversiones permanentes	516,783	182,242
Resultados de ejercicios anteriores	389,341	124,655
Resultado del ejercicio	526,714	1,028,119
Suma de capital	1,940,058	1,727,288
Suma de pasivo y capital	$ 3,585,125	$ 3,513,013

Cuentas de Orden

	2017		2016	
Valores en depósito	$	18,854	$	18,854
Responsabilidades por fianzas en vigor		11,963,299		11,446,847
Garantias de recuperación por fianzas expedidas		10,310,560		14,889,532
Reclamaciones recibidas pendientes de comprobación		142,996		56,606
Reclamaciones contingentes		47,984		104
Reclamaciones pagadas		1,702,052		1,588
Reclamaciones canceladas		49,672		19,660
Recuperación de reclamaciones pagadas		96,986		141,120
Cuentas de registro		8,568,855		8,586,889
	$	32,901,258	$	35,161,200

Las notas adjuntas son parte de los estados financieros.

“El presente balance general se formuló de conformidad con las disposiciones emitidas en materia de contabilidad por la Comisión Nacional de Seguros y Fianzas, aplicadas de manera consistente, encontrándose correctamente reflejadas en su conjunto, las operaciones efectuadas por Fianzas Guardiana Inbursa, S.A., Grupo Financiero Inbursa, hasta la fecha arriba mencionada, las cuales se realizaron y valuaron con apego a las sanas prácticas institucionales y a las disposiciones legales y administrativas aplicables”.

“El presente Balance General fue aprobado por el Consejo de Administración bajo la responsabilidad de los funcionarios que lo suscriben”.

“Los Estados Financieros y las notas de revelación que forman parte integrante de los estados financieros, pueden ser consultados en Internet, en las páginas electrónicas: https://www.inbursa.com/storage/Fianzas_ByER17.pdf y https://www.inbursa.com/storage/Fianzas_Notas_17.pdf”.

“Los Estados Financieros se encuentran dictaminados por el C.P.C. Pedro Enrique Jiménez Castañeda, miembro de la sociedad denominada Galaz, Yamazaki Ruiz Urquiza, S.C. contratada para prestar los servicios de auditoria externa a Fianzas Guardiana Inbursa, S.A., Grupo Financiero Inbursa; asimismo, las reservas técnicas de Fianzas Guardiana Inbursa, S.A., Grupo Financiero Inbursa fueron dictaminadas por el Act. Luis Hernández Fragoso del despacho Consultores Asociados de México, S.A.”

“El Dictamen emitido por el auditor externo, los estados financieros y las notas que forman parte integrante de los estados financieros dictaminados y el reporte sobre solvencia y condición financiera, se ubicarán para su consulta en Internet, en las páginas electrónicas: https://www.inbursa.com/storage/Fianzas_EFD1712.pdf y https://www.inbursa.com/storage/Fianzas_RSCF1712.pdf a partir de los cuarenta y cinco días naturales siguientes al cierre del ejercicio de 2017”.

Operadora Inbursa de Fondos de Inversión, S.A. de C.V.,

Balances generales

Al 31 de diciembre de 2017 y 2016 (En miles de pesos)

Activo	2017	2016
Disponibilidades	$ 305	$ 165
Inversiones en valores:		
Títulos para negociar	1,903,463	1,178,612
Cuentas por cobrar	60,511	56,100
Inversiones permanentes	349,403	608,997
Total activo	$ 2,313,682	$ 1,843,874

Pasivo y capital contable	2017	2016
Otras cuentas por pagar:		
Impuestos a la utilidad por pagar	$ 3,970	$ 7,298
Acreedores diversos y otras cuentas por pagar	9,369	14,204
Impuestos diferidos, neto	193,257	170,700
Total pasivo	206,596	192,202
Capital contable (Nota 8):		
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	1,348,285	1,287,455
Resultado neto	730,414	335,830
Total capital ganado	2,083,148	1,627,734
Total capital contable	2,107,086	1,651,672
Total pasivo y capital contable	$ 2,313,682	$ 1,843,874

Cuentas de orden	2017	2016
Acciones emitidas (unidades)	603,335,758	603,335,758
Activos y pasivos contingentes	$ 2,252,866	$ 1,769,609

“El saldo histórico del capital social al 31 de diciembre de 2017 y 2016, 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

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