

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

December 31, 2018 and 2017

(Millions of Mexican pesos)

These consolidated financial statements have been translated from the Spanish language original solely for the convenience of foreign/English-speaking readers.

(1) Description of business-

Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo (the "Institution") is an entity of the Federal Public Administration with an independent legal status and own capital, incorporated as a National Credit Corporation under the Credit Institutions Law (LIC for its acronym in Spanish) and its own Integral Law.

On June 8, 1937, was founded Banco Nacional de Comercio Exterior, S. A. On July 12, 1985, following the Mexican nationalization of banks, the Institution became Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo. On January 20, 1986, Congress issued the "Integral Law of Banco Nacional de Comercio Exterior" (the "Organic Law"). Based on the provisions published in the June 24, 2002 Official Gazette (OG), the Ministry of Finance (SHCP for its acronym in Spanish) amended, added and repealed various provisions thereof, especially aspects regarding the objectives, operations, administration, supervisions and authority of Directors of the Institution, and the powers of the Institution's General Director. On April 2, 1991, the SHCP issued the Integral Regulations of the Institution. On September 25, 2017, the Official Gazette published a new set of amendments to the Organic Law.

Under the Integral Law in effect for the Institution, as a development bank, the Institution provides public banking and credit services in accordance with the objectives and priorities of the National Development Plan, and in particular the National Program for Development Financing, to encourage and finance the activities and sectors that are governed by the Integral Law.

As a Development Banking Institution, the Institution's purpose is to finance Mexico's foreign trading and to participate in promoting such activity.

The Institution's main operations are regulated by the Law to Credit Institutions and by the Law of Banco de Mexico ("Banxico" or "Mexican Central Bank"). Those regulations include different restrictions that specify the maximum level of leveraging allowed, and the capitalization requirements that limit the Institution's investments and transactions, and are supervised by the National Banking and Securities Commission (CNBV for its acronym in Spanish).

The accompanying consolidated financial statements at December 31, 2018 and 2017 and for the years then ended include those of the Institution and its subsidiary Desarrollo Inmobiliario Especializado, S.A. de C.V. (DIESA).

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Company	Ownership	Activity
Desarrollo Inmobiliario Especializado, S. A. de C. V.	99.20% (Series "A")	- The acquisition, lease, administration, disposal and use of real estate.
	100.00% (Series "B")	- Execution of adaptation, conservation, construction, demolition, maintenance and modification works on properties that will house the Institution's offices.

DIESA's total assets comprise 0.12% and 0.13% of the Institution's total assets at December 31, 2018 and 2017.

(2) Financial Statement authorization and presentation-

Authorization-

The accompanying consolidated financial statements and their notes as of December 31, 2018, were authorized by the executives that subscribe them: Eugenio Nájera Solórzano (Chief Executive Officer Effective as of December 16, 2018), Armando Hernández Torres (Chief Financial Officer) and Julia Noemí Rodríguez Kú (In Charge of the Deputy General Direction of Internal Audit) and the Board Director in the sessions of March 7, 2019 (February 23, 2018, for the consolidated financial statements of 2017).

In accordance with the General Corporations Law and the Institution's bylaws, and the general criteria applicable to Credit Institutions in Mexico, issued by the CNBV, the Institution's Board of Directors and the CNBV are empowered to modify the accompanying consolidated financial statements for 2018 after issuance.

Basis of preparation-

(a) Statement of compliance-

The accompanying consolidated financial statements have been prepared in accordance with the banking legislation, and in accordance with the accounting criteria for credit institutions in Mexico (the Accounting Criteria) issued by the CNBV, who is responsible for the inspection and supervision of credit institutions and for reviewing their financial information.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

The accounting criteria indicate that the CNBV will issue specific standards for specialized transactions and in the absence of an explicit accounting criteria by the CNBV for credit institutions and in a wider framework of the Mexican Financial Reporting Standards (FRS) issued by the Mexican Board of Financial Reporting Standards (CINIF per its Spanish acronym) calls for the process which provides for the supplementary use of FRS A-8 and, only where International Financial Reporting Standards (IFRS) to which FRS A-8 refers do not provide a solution to the accounting recognition, may a supplementary standard belonging to any other regulatory framework be used, provided that the totality of requirements set forth in such FRS are met. Supplementary use of standards is as follows: Generally Accepted Accounting Principles in the United States of America (US GAAP) and any other accounting standard that is part of a formal and recognized set of standards that does not contravene the requirements of Criteria A-4, "Supplementary use of the accounting criteria" of the CNBV.

(b) Use of estimates and judgments-

The preparation of consolidated financial statements requires Management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at December 31, 2018 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities is included in the following notes:

- Note 3d and 7 – Book value of investment securities;
- Note 3e and 7 – Repurchase/resale agreements;
- Note 3f and 8 – Derivatives;
- Note 3i and 9b – Allowance for loan losses;
- Note 3s and 18 – Employee benefits;
- Note 3t and 19 – Deferred income taxes;

(c) Functional and reporting currency-

The consolidated financial statements are presented in Mexican pesos, which is the local currency and the functional currency.

For purposes of disclosure, "pesos", "MXP" "Ps" or "\$" means millions of Mexican pesos, except when it is mentioned different, and "dollars", "dls" or "US" means U.S. dollars.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except UDI's value)

(3) Summary of significant accounting policies -

The accounting policies set out below have been consistently applied in the preparation of these consolidated financial statements, for the years presented.

a) Recognition of the effects of inflation-

The accompanying consolidated financial statements include the recognition of the effects of inflation on the financial information through December 31, 2007, the date on which it is considered an inflationary economic environment ended (cumulative inflation greater than 26% in the last three-year period) and a non-inflationary economic environment began by factors derived from the value of the Unit Investment (UDI for its acronym in Spanish) that is a unit of measurement, whose value is determined by the Mexican Central Bank based on the rate of inflation. Annual and cumulative inflation rates of the last three years and the value of UDI used to determine inflation, are as follows:

<u>December 31</u>	<u>UDI</u>	<u>Inflation</u>	
		<u>Annual</u>	<u>Accumulated</u>
2018	6.226631	4.92 %	15.71 %
2017	5.934551	6.68 %	12.60 %
2016	5.562883	3.38 %	9.97 %

b) Principles of consolidation-

The consolidated financial statements include those of the Institution and those of its subsidiary over which it has control, DIESA. The transactions, balances and profits and losses unrealized as a result of the transactions between the Institution and DIESA have been eliminated in preparing the consolidated financial statements. The consolidation was based on the financial statements of DIESA, as of December 31, 2018 and 2017 and for the years then ended, which have been prepared in accordance with the accounting criteria for credit institutions in Mexico.

c) Cash and cash equivalents-

Cash and cash equivalents consist of cash on hand, 24, 48 and 72-hour purchase and sale transactions of currencies, interbank loans with equal maturities or less than three days (Call Money transactions) deposits in national and foreign institution and deposits in the Mexican Central Bank, which include the monetary regulatory deposits that the Institution is required to maintain in accordance with the provisions issued by the Mexican Central Bank for such purpose. Such deposits do not have a term and bear interest at a bank funding rate, and are recognized as restricted funds.

Cash and cash equivalents are recorded and carried at nominal value. Interest income is recognized in the statements of income as incurred.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Cash and cash equivalents in foreign currency and purchase and sale commitments of currencies are valued at the exchange rate published by Mexican Central Bank as of the date of preparation of these consolidated financial statements

This item also includes the balance of short-term interbank loans (call money granted) when its maturity does not exceed three business days, as well as the currencies acquired, which settlement is agreed on a date following the date it is entered into, recognizing them in both cases as restricted funds.

Interest earned on investments in bank promissory notes, call money transactions, auctions of deposits and deposits in the Mexican Central Bank, are recognized as earning, as accrued, under "Interest income".

d) Investments in securities -

Investments in securities include debt and equity securities, which are classified on the basis of the intended use assigned by Institution's management at the time they are acquired as "for trading", "available-for-sale" or "held-to-maturity". They are initially recorded at fair value, which includes any discount or surcharge. The costs of transactions involving the acquisition of trading securities are recognized in the statement of income for the period, and those related to securities available-for-sale or held-to-maturity are recognized as part of the investment.

Trading securities-

This includes securities held by management to operate in the market that are recorded at fair value on acquisition date. Those securities are initially and subsequently valued at the fair value provided by market makers authorized by the CNBV, and the effects of valuation are recognized in the year's income as part of the gains (losses) from valuation under the caption "Financial intermediation income" and when they are sold, the gains (losses) from valuation which were previously recognized in the statement of income are reclassified, as part of "Result from purchases/sales" under the caption mentioned above.

Available-for-sale securities-

This category includes debt securities and shares acquired for a purpose other than securities held-for-trading or held-to-maturity, and are recognized upon acquisition at their fair value. Those securities are subsequently valued at the fair value provided by market makers authorized by the CNBV, and any valuation adjustments are recognized in stockholders' equity under the caption "Unrealized gain (loss) from valuation of available-for-sale securities". The valuation that has been previously recognized in equity is reclassified upon sale to be recognized in the consolidated statement of income.

Equity securities are valued at fair value using prices supplied by authorized market makers, and if it is not possible to obtain those values, they are valued using the equity method as established in FRS C-7 "Investments in associated companies and other permanent investments".

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Held-to-maturity securities-

These are debt securities, which have fixed or defined payments and maturities that the Institution has the intent and capacity to hold until maturity. These securities are initially recognized at fair value and are valued at amortized cost; the fair value affected by interest accrued, including amortization of the premium or discount and any transaction costs that may have been recorded. At the date of sale of those securities, the difference between the net realizable value and the carrying value is recorded in the consolidated statement of income under the caption "Financial intermediation income".

The Institution evaluated whether or not there was objective evidence that a security had been impaired by considering the following matters, among others: significant financial difficulties of the issuer of the security; the likelihood of the issuer filing for bankruptcy or undergoing another type of financial reorganization; breach of the contractual clauses; the disappearance of an active market for that specific security due to financial difficulties, or the existence of a measurable decrease in estimated future cash flows. Based on the aforementioned evaluation, the Institution did not observe objective evidence of impairment of the securities at December 31, 2018 and 2017.

Impairment of a security-

When there is objective evidence indicating a security available-for-sale or held-to-maturity has been impaired, the carrying amount value of the security is modified, and the amount of the loss is recognized as financial intermediation income or loss. If in subsequent periods the fair value of the impaired security increases or the amount of the impairment loss decreases, the impairment loss previously recognized is reversed in income or loss for the year. No impairment loss is reversed in net equity instrument classified as available for sale.

Value date transactions-

For transactions agreed to be settled immediately or with a value date on the same day, on the transaction date, the Institution records in clearing accounts the right and/or obligation under the items of "Accounts receivable" and "Other accounts payable" and "Transactions", respectively, while these are settled.

Transfer between categories-

Transfers can be made from the category "Held-to-maturity securities" to "Available-for-sale securities", provided that it is not intended to or able to hold them to maturity. Any type of category may be reclassified to "Held-to-maturity securities" and from "Trading instruments" to "Available-for-sale securities" under extraordinary circumstances upon explicit authorization from the CNBV. Furthermore, the sale of "Held-to-maturity securities" shall be reported to the CNBV. For the years ended December 31, 2018 and 2017, the Institution did not enter into any transfers between categories, and/or sales of held-to-maturity securities.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

e) Repurchase/resale agreements

The repurchase/resale agreements that do not comply with the terms of criterion C-1 "Recognition and withdrawals of financial assets", are treated as collateralized financing transactions, which reflects the economic substance of those transactions. In "cash-oriented" transactions, the intention as seller is to obtain cash financing and the intention as buyer is to invest its excess of cash, and in the "securities-oriented transactions, the buyer is intended to have access to certain particular securities and the seller is intended to increase the yields of the investment securities.

Acting as a seller on resale agreements-

On the contract date of the repurchase agreements, either cash is received or a debit clearing account is created as well as a payable account valued at the price agreed at origination, which is presented as "Creditors on repurchase agreements", and represents the obligation to repay the cash to the seller at a future date. Throughout the term of the repurchase agreements, the payable accounts are valued at amortized cost and the corresponding accrued interest is recorded in the results for the year, in accordance with the effective interest rate method, under the caption "Interest expense". Financial assets transferred to the seller are reclassified in the balance sheet, and presented as restricted securities, which continue to be valued in accordance with the accounting policy of the corresponding asset classification.

Acting as a buyer on repurchase agreements-

On the contract date of the repurchase agreements, either a cash or cash equivalent payment is made or a clearing account is recognized, as a receivable account valued at the origination price is under the caption "Debtors on repurchase agreements", and represents the right to receive the cash at a future date. Throughout the term of the repurchase agreements, the receivable accounts are valued at amortized cost and the corresponding accrued interest is recognized in the results for the year, in accordance with the effective interest rate method, under the caption "Interest income". Financial assets received as collateral are recognized in memorandum accounts and are valued at fair value.

In cases where the Institution has sold or pledged collateral or granted as collateral, the proceeds from the transactions are recognized, and payable accounts for the obligation to repay the collateral are booked, which is valued at fair value, or at amortized cost if the collateral has been pledged in a further repurchase agreement. The differential between the price received and the value of the account payable is recognized in the income statement.

The Institution, acting as buyer, recognized the collateral received in memorandum accounts following, and for valuation purposes the provisions under the criteria B-9 "Asset custody and management". Acting as seller, the financial asset is reclassified in the consolidated general balance sheet showed as restricted.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

In case that the Institution, acting as buyer, sells the collateral or pledges it as a guarantee, the inflow of resources obtained as a result of the transaction is recognized, with an account payable for the obligation to repay the collateral to the seller this is carried at its fair value in the case of sale or, if it pledged as a guarantee in the other repurchase transaction, is measured at its amortized cost. Such account payable is offset with the accounts receivable that is recognized when the Institution acts as seller and, the debt or credit balance is recorded in the caption "Debtors under Repurchase Agreements" or in "Collaterals sold or pledged", as applicable.

f) Derivative financial instruments-

The Institution carries out operations with derivative financial instruments held-for- trading, in order to earn profits in accordance with the policies and limits established by the Comprehensive Risk Management Committee (CAIR for its acronym in Spanish), and for hedge purposes in order to compensate market risks arising from fluctuations in exchange and interest rates, as well as from counterparty risk. In accordance with criterion B-5 "Derivative instruments and hedge operations" issued by the CNBV, hedge operations are classified as fair value, cash flows and foreign currency operations; the operations carried out by the Institution were classified as fair value.

All derivative financial instruments for trading or hedging are recognized in the balance sheet as assets and liabilities, depending on the rights or obligations specified in the confirmation of the terms agreed between the parties involved.

Futures and forward contracts

As a participant in the futures market, the Institution hedges its risk positions associated to USD (assets and liabilities), and for purchase/sale of Mexican pesos against US dollars, or of the US dollar against other foreign currencies.

Operations carried out in futures markets for trading purposes are settled in Mexican pesos against the US dollar and they are offered to borrowers as part of credit support for financing programs foreign trade operations.

Operations carried out in the futures market are performed with banking institutions that have investment grade credit ratings issued by authorized risk rating agencies, which considerably mitigates the related credit and legal risks.

Operations carried out by the Institution in futures markets that are for trading purposes. The fair value of rights and obligations of those operations is the theoretical price determined as per formal valuation techniques. That balance represents the difference between the fair value of the operation and the stipulated forward price. The results of those instruments are shown as financial intermediation income.

At December 31, 2018 and 2017, the Institution had no operations in futures markets or forwards contracts.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Swap operations

Operations contracted by the Institution with this type of instrument are considered fair value hedges, since their purpose is to hedge open risk positions of interest rates and currencies.

Swap operations are carried out to hedge interest rate or exchange rate risk, depending on the condition of the funding received and the placement of loans with borrowers. The foregoing makes it possible to exchange similar flows of fixed interest rates for variable interest rates, or otherwise flows of different currencies against the US dollar, while mitigating factors that give rise to an open risk position.

Swap operations are contracted with financial entities that have been issued investment grade credit ratings by an authorized risk rating agency, that limits the credit and legal risks inherent in this type of operations.

The Institution measures the effectiveness of hedges provided by swap derivatives through a model determined by the Institution's risk management area.

Options contracts -

Options are agreements establishing the right, not yet the obligation for the buyer to purchase or sell a financial or underlying asset at a determined price called an exercise price on a settled date or at a determined period. Option agreements involve two parties where the buyer of the option pays a premium on the acquisition thereof, obtains a right, yet not an obligation and the party is issuing or selling the option to receives a premium and in turn acquires an obligation, yet not a right.

Trading derivatives -

The valuation effect of trading derivatives is recognized in the consolidated balance sheet and statement of income under the caption "Derivatives" and within the valuation result in the caption "Financial intermediation income", respectively.

Hedging derivatives -

The profit or loss that results from valuating a hedge instrument at fair value is recognized in the statement of income and the valuation result of the hedged transaction is recognized in the balance sheet as an adjustment to the book value of the item and is recognized in the statement income, including when the hedged item is an investment classified as available-for-sale securities.

The Institution's risk management area developed the "Effectiveness model", which allows measuring changes in the fair value or cash flows of hedge instruments based on a hedge factor or ratio that fluctuates between 80% and 125% of the inverse correlation.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

g) Offsetting clearing accounts -

Amounts receivable or payable for investment securities, repurchase/resale agreements, securities loans and/or derivative financial instruments which have expired but have not been settled are recorded in clearing accounts under "Other accounts receivable" and "Sundry creditors and other accounts payable", respectively, as well as the amounts receivable or payable for the purchase or sale of foreign currencies, which are not for immediate settlement or those with a same day value date.

The debit or credit balances of the clearing accounts resulting from purchase/sale transactions of currencies, investment securities, repurchase agreements and derivatives are offset, provided that it is set forth by contractual right to offset the amounts recorded and at the same time, it is intended to settle them on a net basis or realize the asset and settle the liability simultaneously. Assets and liabilities in transactions of the same nature or arising from the same contract are also offset, provided that they have the same maturity term and are simultaneously settled.

h) Loan portfolio-

Loans originated by the Institution are recognized as assets from the date of disbursement of the respective funds. The amount given to borrowers is supplemented with the accrued interest based on the loan payment arrangement.

Loans are settled after analyzing the financial position of the borrower, the economic feasibility of investment projects and other general factors established in the regulations, as well as the provisions of the Institution's internal manuals and policies.

Interest accrued on current loan operations is recognized and applied to income as it is incurred.

Interest collected in advance is recognized as advance collections under deferred loans and are amortized over the life of the loan by the straight-line method against income for the period.

Commissions collected upon initial credit lines, includes commissions for loans restructured are recorded as a deferred credit which are amortized against income for the year using the straight-line method over the life of the loan. Commissions accrued after the loan is granted are recorded on the date they are generated against income for the period.

The following items are considered to qualify as past-due loan portfolio:

- a) *Loans payable in a single amortization of capital and interest at maturity - that are not covered in a period of 30 or more calendar days past due.*
- b) *Loans payable in a single amortization of capital at maturity and periodic interest payments- when interest is 90 or more calendar days past due or capital is 30 or more days past due.*
- c) *Loans payable in installments towards capital and interest - after 90 calendar days past due.*

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

- d) *Revolving loans* - when invoices are behind two periods or 60 or more calendar days past due.
- e) The borrower is in bankruptcy in accordance with the Bankruptcy Law (LCM for its acronym in Spanish) and such borrower continues making payments in the terms of the LCM. That borrower is transferred to the past-due loan portfolio if the originally agreed terms have not been settled in fully.

Interest accrued in the period in which the loan is considered to be overdue is recorded in the memorandum accounts as income when collected and interest accrued at the date on which it is no longer accumulated is fully reserved.

Restructured and renewed loans

Restructured loans remain in the past-due loan portfolio and the level of the allowance for loan losses is maintained until there is evidence of sustained payment.

Renewed loans where the borrower does not pay interest accrued and 25% of the principal amount of the loan on a timely basis are considered past due until there is evidence of timely payment.

The renewed or restructured current loans differing from those described in the preceding paragraph continue to be performing loans in the following terms:

- a) If the restructuring or renewal is carried out before at least 80% of the original term of the loan has elapsed, and if all accrued interest has been paid, along with the principal of the original loan that should have been covered at the date of the reorganization or renewal.
- b) If the restructuring or renewal is carried out in the last 20% of the original term of the loan and if all accrued interest has been paid, along with the principal of the original amount of the loan that should have been covered at the date of the reorganization or renewal, and 60% of the original amount of the loan.

Restructuring of a loan is not considered to occur when the total amount of principal and interest payable have been covered at the realization date and said payment modifies one or several of the following original loan conditions.

- i. Guarantees: only when they imply the extension or replacement of guarantees for others of a better quality;
- ii. Interest rate: when the agreed interest rate is improved;
- iii. Currency: provided the rate of the new currency is applied;
- iv. Payment date: only when the change does not result in exceeding or modifying the frequency of the payments. In no case may the change in payment date allow the forgiveness of payment due in any period.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Troubled debt portfolio -

Commercial loans are considered to be current and past due loans with regard to which it is determined, based on current information and facts and on a review process, that they will most likely not be recovered in full, either the principal or the interest, in the originally agreed terms and conditions.

Suspension of interest accrual -

Interest incurred on loans stops being accrued when the unpaid principal of the loan is considered to be overdue.

As long as a loan is classified as part of the past due portfolio, control over interest accrued is kept in memorandum accounts. If past due interest is collected, it is recognized directly in income for the year.

Loans are transferred to the current loan portfolio when past-due balances are settled in full (principal and interest, among others) or, in the case of restructured or renewed loans, when there is evidence of sustained payment on the loan, as per the Accounting Criteria.

i) Allowance for loan losses-

The commercial loan portfolio was rated on December 31, 2018 and 2017 in adherence to loan portfolio provisions issued by the CNBV on June 24, 2013 and its subsequent amendments. That rating is based on an expected loss model that considers the likelihood of default, the severity of the loss and the exposure to default, while the consumer loan and mortgage portfolio was rated as per the methodology for rating non-revolving consumer loan and mortgage portfolios referred to in point A of Sections One and Two of Chapter V, Title Two, of the General Provisions applicable to Credit Institutions published in the amending resolution of October 25, 2010 and subsequent amendment

The Institution's commercial loan portfolio was rated based on the general methodology using an expected loan loss model.

General methodology based in expected credit loss model for credit risk

The amount of the preventive reserve for each loan is the result of applying the following formula:

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

R_i	Amount of allowance for loan losses to be set up
PI_i	Probability of default on the loan
SP_i	Severity of loss
EI_i	Exposure to default on the loan

EI_i must be calculated monthly, and PI_i and SP_i at least quarterly

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

The commercial loan loss reserve is classified depending on the degree of risk and the percentages shown as follows:

Risk Levels	Ranges Commercial Percentage
A-1	0 to 0.9
A-2	0.901 to 1.5
B-1	1.501 to 2.0
B-2	2.001 to 2.50
B-3	2.501 to 5.0
C-1	5.001 to 10.0
C-2	10.001 to 15.5
D	15.501 to 45.0
E	Above 45.0

In rating the commercial loan portfolio based on the expected loss model, we took the following into consideration:

1. The commercial loan portfolio was classified in accordance with the Provisions applicable to the Institution, based on the following:
 - I. Federal and municipal entities (Not applicable to the Institution).
 - II. Projects with own source of payment (Exhibit 19).
 - III. Trustees acting under a trust, not included in the above section, and loan arrangements commonly referred to as "structured" (Not applicable to the Institution).
 - IV. Financial Entities (Exhibit 20).
 - V. Business entities not included in the above sections and individuals engaged in business operations:
 - Net income or net annual sales < 14 million UDI's (Exhibit 21).
 - ✓ "Borrowers with no late payments" in the last 12 months.
 - ✓ "Borrowers with late payments" or at least one day in the last 12 months
 - Net income or net annual sales $\geq$ 14 million UDI's (Exhibit 22).
 - ✓ Small corporations: 14 million UDI's $\geq$ Annual net sales < 54 million UDI's.
 - ✓ Corporations: 54 million UDI's $\geq$ Annual net sales < 216 million UDI's.
 - ✓ Large corporations: Annual net sales $\geq$ 216 million UDI's.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Methodology for rating consumer and mortgage loan portfolios–

Rating of the non-revolving consumer loan and mortgage loan portfolios is determined based on the estimated result of the effects of the probability of default or the severity of the loss associated to the value and nature of loan guarantees. Those portfolios originate from loans made to employees, who after concluding their employment relationship with the Institution, form part of the loan portfolio in accordance with the regulations established by the CNBV.

The Institution calculates the allowance for loan losses based on the foregoing, which is then recorded in income for the period in question, and it periodically evaluates whether a past due loan must remain on the balance sheet, or instead be written-off, which is done by canceling the unpaid balance of the loan against the allowance for loan losses.

The additional reserves recognized by the are those set up to cover risks that were not considered in the different methodologies for rating loan portfolios, and whose origin, methodology for determination thereof, amount and term were all reported to the CNBV prior to their creation. At December 31, 2018 and 2017. The Institution has not recorded additional allowance for loan losses.

Recovery of loans previously written-off is recognized in income for the period as they are charged.

The surplus in the allowance for loan losses is canceled against income for the period, affecting the items from which it originated i.e., the loan loss reserve. If the amount to be written-off exceeds the recorded estimate, it is recorded as other operating income (expenses).

The Institution periodically evaluates whether a past due loan must remain on the balance sheet or instead be written-off. If applicable, the balance is written off by canceling the unpaid balance of the loan against the allowance for loan losses. If the balance of the loan that is to be written-off exceeds the amount of the related reserve, the allowance is increased up to the amount of the difference.

Write off, quitclaims, rebates and discounts, whether partial or total, are recorded with a charge to the allowance for loan losses. If the amount exceeds the balance of the reserve associated to the loan, estimates are first created up to the amount of the difference.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

j) Other accounts receivable -

Accounts receivable other than the Institution's loan portfolio and collection rights comprise, among others, loans made to officers and employees, favorable tax balances, transaction settlement accounts, collateral given in cash for derivative financial instrument operations and items directly related to the loan portfolio.

Loans made to officers and employees are collected through the payroll.

Accounts receivable from identified debtors whose maturity is agreed from the start at a term of more than 90 calendar days requires setting up a reserve that reflects the extent of their irrecoverability (60 days if the balances are not identified).

No such allowances are set up for favorable tax balances and transaction settlement accounts.

k) Foreclosed assets or assets received in lieu payment -

These items are recognized at the lower of cost or fair value, less costs and expenses strictly indispensable incurred in the respective distribution.

If the carrying value of the asset giving rise to the distribution of the goods or the payment in kind is lower than the value of the foreclosed item, the value of the item is adjusted to the carrying value of the asset.

Assets acquired as a result of a foreclosure are recognized on the date on which the court sentence approving the foreclosure becomes final and conclusive. Assets received as payment in kind are recorded on the date on which the payment is signed or the asset ownership transfer is formalized.

On the basis of the Second Title "Prudential Provisions", Chapter V "Portfolio rating", Section VI, "Reserves for holding "Foreclosed assets or assets received in lieu payment" of the accounting criteria for Financial Institutions in Mexico issued by the CNBV, the Institution creates additional provisions for potential loss in the value of items foreclosed judicially or extra-judicially, as well as collection rights and investments in securities.

The Institution prudentially adopted the policy of reserving 100% of foreclosed items or items received as payment in kind, in order to recognize recovery of the respective loan when the related items are sold.

In the case of items held for sale, the base distribution value used to determine the reserve is the carrying amount value less collections received. Such value is applied to reserve percentages in accordance with the tables shown in Section E of the Provisions.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

a) Collection rights or movable property

Time elapsed as of foreclosure in lieu payment (months)	Percentage of reserve %
Up to 6	-
More than 6 and up to 12	10
More than 12 and up to 18	20
More than 18 and up to 24	45
More than 24 and up to 30	60
More than 30	100

b) Real property

Time elapsed as of foreclosure in lieu payment (months)	Percentage of reserve %
Up to 12	0
More than 12 and up to 24	10
More than 24 and up to 30	15
More than 30 and up to 36	25
More than 36 and up to 42	30
More than 42 and up to 48	35
More than 48 and up to 54	40
More than 54 and up to 60	50
More than 60	100

At the time of sale, the difference between the selling price and the book value of the foreclosed goods is applied to income for the period under "Other operating income (expenses)".

1) Property, furniture and equipment -

This item is as follows: i) acquisitions from January 1, 2008 valued at acquisition cost and ii) acquisitions until December 31, 2007, applying Investment Unit (UDI) factors up to December 31, 2007 to their acquisition costs. Until December 31, 1996, real property was valued at its net replacement cost based on appraisals performed by independent experts and quarterly factors communicated by the CNBV.

Depreciation of property is calculated in a straight-line method based on the remaining useful lives of assets determined by independent experts.

Depreciation of furniture and equipment is calculated by life expectancy method considering their acquisition cost less their residual value (straight-line method) over restated values.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Property, furniture and equipment are subject to annual impairment testing, only when signs of impairment are identified. Consequently, they are expressed at modified historical cost, less accumulated depreciation and, when applicable, impairment loss.

At December 31, 2018 and 2017, there were no signs of impairment in finite-lived long-lived assets, due to which annual impairment testing of their recoverable values was not required.

m) Permanent investments in associates -

Are initially recorded based on the amounts invested, contributed or the acquisition value, and are subsequently valued by the equity method, which consists of adjusting the value of the investment, contribution or the acquisition value of the shares, by the proportional amount of comprehensive income or losses and the distribution of profit or capital reimbursements subsequent to the acquisition date. Losses in associated companies not arising from reductions in the percentage of equity are recognized proportionally in permanent investments.

The Institution's equity in the results of associates is shown separately in the income statement.

Other permanent investments over which there is no significant influence for decision making purposes are valued at acquisition cost. Dividends arising from such investments are recognized in the income statement, for the period in which they are received, except when they are related to prior years' profit to the acquisition of the investment, in which case they are deducted from permanent investments.

n) Other assets, deferred charges, prepayments and intangibles-

Prepayments comprise expenses incurred by the Institution where the risks and benefits inherent in the goods to be acquired and services to be received have not been transferred yet. Prepayments are recorded at cost and are shown in the balance sheet under deferred charges, prepayments and intangible assets. Once the goods and/or services for which prepayments made are received, they are recognized as an asset or an expense in the income statement of the period, respectively.

Expenses incurred for issuing liabilities are amortized by the straight-line method considering the term of the security from which they arose.

o) Deposits funding-

Liabilities incurred for fund attraction through certificates of deposit, fixed term deposits, banker's acceptances and promissory notes with yields payable at maturity are recorded based on the contractual value of the liability. Interest accrued is recognized in income of the period as an interest expense.

When securities are placed at a price other than their nominal value, in addition to the matter mentioned in the paragraph above, a deferred charge or credit is recorded, as applicable, on the difference between the nominal value of the securities and the cash received therefrom. That deferred credit or debit is amortized by the straight-line method against income for the period during the term of the securities from which it arises.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Securities placed at a discount that do not bear interest are initially recorded based on the cash received. The difference between the nominal value of the securities and the amount of cash mentioned above is recorded in the income of the period using the effective interest method.

p) Due to banks and other institutions -

Liabilities arising from interbank loans are recorded based on the contractual value of the obligation; interest accrued is recognized directly in the Institution's income as an interest expense.

q) Accruals -

Preparation of financial statements in accordance with accepted accounting criteria requires the Institution to prepare estimations that affects the figures reported in the financial statements and the accompanying disclosures. Estimates are based on management's best estimation of current facts.

The Institution sets up reserves for contingent liabilities resulting from lawsuits, according to the legal risk policies and procedures authorized by the Risk Management Committee (CAIR for its acronym in Spanish).

r) Sundry creditors and other accounts payable-

This caption includes transaction settlement accounts, accounts receivable from margin accounts, receivables from collateral guarantees received in cash, sundry creditors and other accounts payable, which includes the negative balance of cash and cash equivalents in accordance with the B-1 "Cash and cash equivalents criteria" must be shown as a liability.

s) Employee Benefits-

The Federal Labor Law establishes the obligation to make certain payments to employees who cease to work under certain conditions or who comply with certain requirements, as well as to pay the obligations established in the respective labor agreements.

New FRS D-3 "Employee benefits" came into force as of January 1, 2016, which establishes the concept of re-measurement of assets or liabilities from defined benefits and eliminates the possibility of deferring recognition of actuarial profits and losses directly in income, based on accrual. Therefore, said actuarial profits and losses must be immediately recorded in Other Comprehensive Income (OCI), and must be subsequently recycled to net profit or loss.

The Institution opted to recognize 20% of remeasured accumulated actuarial gains or losses as of 2021, in a maximum period of 5 years. Those balances must be recognized at the end of each period, after providing timely notice of that option to the CNBV.

The Institution has plans in place for payment of pensions, seniority premiums and retirement benefits to its personnel in addition to those established in the Law.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Retirement benefit obligations are quantified under the projected unit-credit method, determined by an actuarial calculation performed by independent experts as of December 31, 2018 and 2017.

Employee benefits offered by the Institution to its employees, including defined benefit plans (or defined contributions), are as follows:

Direct benefits (salaries, overtime, vacations, holidays and paid absences, etc.) are recognized in income as they accrue and the respective liabilities are expressed at nominal value given their short-term nature. Absences paid in conformity with legal or contractual provisions are non-cumulative.

Retirement benefits (pensions, seniority premiums, indemnities, etc.) are recorded based on actuarial studies performed by independent experts by the projected unit-credit method.

The net cost for the period based on actuarial calculations over projected salaries is recognized as an expense of the period. Indemnities and direct labor costs are charged to the income statement in the year in which they are paid.

In 2018 and 2017, the net cost for the period includes recycling of remeasured accumulated actuarial losses at December 31, 2015, as well as the profits and losses recorded in the OCI in accordance with the average remaining labor life.

The Institution has a defined contribution plan in place for newly hired personnel who upon reaching 60 years of age and 30 years of service are entitled to a retirement pension for life that is equivalent to the total fund accumulated in his/her individual account.

t) Income Tax (IT) and Employee Statutory Profit Sharing (ESPS)-

IT and ESPS payable for the year are determined in conformity with tax regulations in effect.

Deferred IT and ESPS are recorded for under the asset and liability method, which compares the carrying amounts and the respective tax bases. Deferred IT and ESPS (assets and liabilities) are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities a ESPS of a change in tax rates is recognized on the statement of income in the period that includes the enactment date.

Payable and deferred IT and ESPS are presented and classified in the income statement of the year, except for those resulting from a transaction recognized in the comprehensive income or directly in a stockholders' equity item.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

u) Stockholders' equity-

The capital stock, premium on sale of shares, legal reserve, additional paid-in capital and retained earnings are expressed as follows: i) movements made as from January 1, 2008 at historical cost, and ii) movements made before January 1, 2008 at restated values determined by applying UDI factors until December 31, 2007 to their historical values. Consequently, the different equity items are expressed at their modified cost.

The net premium on sale of Capital Contribution Certificates (CAPs for its acronym in Spanish) represents the surplus between the payment of subscribed CAPs and the face value thereof.

The Institution's additional paid-in capital are recognized in a caption separate from contributed capital when certain requirements are met. Those requirements include the existence of a formal agreement in place to the effect that shares have no fixed yield until they are capitalized and that they are not reimbursable. Future capital increase contributions that fail to meet the aforementioned requirements are recorded as liabilities.

The amount of comprehensive income shown in the statement of changes in stockholders' equity is the result of the Institution's performance in the period and it is comprised by the net income plus items in accordance with specific provisions were directly recorded in stockholders' equity and do not constitute capital contributions, reductions or distributions. The comprehensive income for 2018 and 2017 is expressed in historical pesos.

Also presented is the increase or decrease in equity resulting from two types of movements: inherent to owner decisions and those resulting from recognition of comprehensive income.

v) Trust operations-

The Institution records the equity of the trusts that manages in the memorandum accounts caption, in light of the responsibility involved in realizing or complying with the business purpose of those trusts. In some cases, the above responsibility is limited to accounting for the trust's assets, while in other cases it includes recording assets and liabilities generated from the respective operations.

The trust's equity recognized in memorandum accounts is valued in accordance to the Accounting Criteria

Income from trusts management is recorded at the income of the period as it accrues.

w) Custody and administration operations

Administration operations include those conducted by the Institution on behalf of third parties, such as the purchase and sale of securities and derivative financial institutions, repurchase agreements and securities lending.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Since goods are not owned by the Institution they do not form part of the consolidated balance sheet. However, the estimated amount for which the Institution would be liable in the event of a future contingency is recorded in memorandum accounts, with the exception of cash received for payment of services on behalf of third parties.

The estimated amount of goods in custody or under administration is determined on the basis of the related operation.

In case the Institution is liable to the depositing party for damages or loss of the goods in custody or under administration, the respective liability is applied to income of the period. It is recorded when the liability becomes known, irrespective of any legal action taken by the depositing party towards repairing the loss or damage.

Income from custody or administration services is applied to the income statement of the period as it is earned.

In the event the goods in custody are also held under administration, they are controlled separately.

x) Income recognition -

The yields generated by cash and cash equivalents, investments in securities and repurchase agreements are applied to the income statement as they arise.

Interest on the loan portfolio is recognized as it accrues, except for interest on the past-due loan portfolio, which is recorded when the respective amounts are actually collected. Commissions collected on initial credit lines are recorded as deferred credit, which is amortized against income of the year by the straight-line method over the loan's life.

y) Foreign currency operations-

The Institution complies with the following standards and limits issued by Banco de Mexico for foreign currency operations:

- a. The position, either long or short, in dollars must be equivalent to a maximum of 15% of the Institution's core capital.
- b. The foreign currency position must not exceed 2% of net capital, except as concerns the dollar or currencies referred to the USD, which can reach up to 15%.
- c. Liabilities assumed in a foreign currency must not exceed 183% of the Institution's core capital.
- d. The investment regime for foreign currency operations requires maintaining a minimum level of liquid assets, as per the calculation procedure established by the Central Bank, according to the term to maturity of foreign currency operations.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

z) Contingencies-

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements. Contingent revenues, earnings and/or assets are recognized until their realization is virtually assured.

aa) Information by segments -

First-tier loan operations refer to loans made directly to companies; second-tier interbank loans channel resources through banking financial intermediaries and other non-bank intermediaries and financial markets, and fund attraction relates to obtaining the necessary funds to meet the National Program for Development authorized by the Secretaría de Hacienda y Crédito Público (SHCP), cover the Institution's liquidity needs and assign transfer costs to the operating segments that require resources to carry out their operations.

bb) Related parties -

The Institution conducted transactions with related parties during the regular course of operations. Operations with related parties are understood to be those in which the Institution is owed money in connection with deposits or other cash and cash equivalent operations and loans, credits or discounts, revocable or irrevocable, documented by means of credit memoranda or agreements, as well as loan restructuring, renewal or modification operations, including net positions favoring the Institution arising from derivative operations and investments in securities other than shares.

Related parties are defined as either individuals or corporations holding direct or indirect control of 2% or more of the shares representing the Institution's capital, as well as the members of the Institution's Board of Directors.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

Also considered as related parties are business entities, as well as the advisors and officers thereof, in which the Institution has direct or indirect control over 10% or more their capital.

The total sum of operations with related parties does not exceed 50% of the basic portion of the Institution's net capital, as set forth in Article 50 of the Organic Law.

(4) Foreign currency operations -

At December 31, 2018 and 2017, foreign currency operations carried out in the currencies used by the Institution and the position of currencies were as follows:

2018					
(In thousands)					
Currencies	Asset	Liability	Position in currency source	Exchange rate in Mexican pesos	Millions of Mexican Pesos
	Currency source				
US dollars	8,507,788	8,496,898	10,890	19.65120	\$ 214
Pound sterling	255	14	241	25.04742	6
Euro	45,383	43,009	2,374	22.46918	53
					\$ 273
2017					
(In thousands)					
Currencies	Asset	Liability	Position in currency source	Exchange rate in Mexican pesos	Millions of Mexican Pesos
	Currency source				
US dollars	8,516,425	8,469,045	47,380	19.66290	\$ 932
Pound sterling	106	-	106	26.60489	3
Euro	18,089	972	17,117	23.60629	404
					\$ 1,339

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

The exchange risk position (not covered), as a whole and by currency does not exceed 15% of the Institution's core capital, which totals USD 220,300 thousand and USD 207,378 thousand at December 31, 2018 and 2017, respectively.

The exchange risk position at December 31, 2018 and 2017 was as follows:

		Currencies valued to USD (thousands)	
		2018	2017
US dollar	\$	57,573	71,796
Pound sterling		325	144
Euro		2,715	20,559
Total	\$	60,613	92,499

In determining the exchange risk position, the following exchange rates were used (Currency - US dollar):

		Exchange rates	
Currency		2018	2017
US dollar	\$	1.000000	1.000000
Pound sterling		0.784559	0.739071
Euro		0.874584	0.832951

At December 31, 2018 and 2017, the exchange rates used to convert figures to Mexican pesos are as follows:

		Exchange rates	
Currency		2018	2017
US dollar	\$	19.651200	19.662900
Pound sterling		25.047420	26.604890
Euro		22.469180	23.606290

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

At March 7, 2019, date of issue of the financial statements for the year ended at December 31, 2018, the exchange rates used to convert figures to Mexican pesos are as follows:

Currency	Exchange rates
US dollar	\$ 19.5225
Pound sterling	25.6487
Euro	22.0770

(5) Cash and cash equivalents -

At December 31, 2018 and 2017, cash and cash equivalents are made up as follows:

	2018	2017
Demand deposits	\$ 16,645	26,808
Time deposits	5,247	-
Domestic bank deposits	3,984	3,444
Call Money	827	63
Deposits in foreign banks	650	537
Purchase of foreign currencies	-	381
Other	15	13
	\$ 27,368	31,246

Demand deposits:

2018				2017				
Currency source	Average rate	Term days	Currency source thousands	Mexican peso	Average rate	Term days	Currency source thousands	Millions of Mexican peso
USD	2.3888%	2	847,000	\$ 16,645	1.3675%	3	1,363,400	\$ 26,808

Time deposits

2018				
Currency source	Average rate	Term days	Currency source thousands	Mexican peso
Dollar	2.6%	20	267,000	\$ 5,247

At December 2017 the Institution does not have time deposits.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

Domestic bank deposits:

	2018		2017	
	Thousands of DLS	Mexican peso	Thousands of DLS	Mexican peso
Banco de México Foreign Currency (F.C.)	500	\$ 10	264	\$ 5
Banco de México MXP	-	3,279	-	3,279
Other banks F.C.	24,118	474	5,534	109
Other banks MXP	-	221	-	51
		\$ 3,984		\$ 3,444

Call Money:

			2018			2017		
Currenc y source	Average rate	Ter m day s	Currenc y source thousan ds	Mexican peso	Avera ge rate	Term days	Currenc y source thousan ds	Mexica n peso
Domesti c Banks:								
MXP	8.25%	2	198,480	\$	198	7.20%	3	62,841
FC	2.49%	2	32,000		629			-
				\$	827			
						\$ 63		

Deposits in foreign banks:

	2018		2017	
	Currency source (thousands)	Mexican peso	Currency source (thousands)	Mexican peso
Mexican Peso	135	\$ -	135	\$ -
US dollar	26,047	512	26,033	512
Pound sterling	255	6	106	3
Euro	5,874	132	924	22
		\$ 650		\$ 537

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

Currency purchases (Spot):

According to the regulation for Credit Institutions, the caption of Cash and cash equivalents, required that if any concept is with a negative balance, it should be reclassified as a liability. As of December 31, 2018, the net balance of currencies to be received and delivered was reclassified for \$ 72, in accordance with the Accounting Criteria for Credit Institutions.

	2017	
Currency source	Currency source thousands	Mexican Peso
DLS.	19,358	\$ 381

Other:

	2018	2017
Cash	\$ 1	1
Foreign bills and coins	5	9
Other	9	3
	\$ 15	13

(6) Investments in securities -

Investments in securities are subject to different market risk, the interest rates associated with the tenor, the exchange rates and the inherent credit and market liquidity risks.

Risk management policies, and the analysis of risk to which the Institution is exposed, are described in Note 28.

At December 31, 2018 and 2017, investments in securities were comprised as follows:

a. Trading securities:

	2018	2017
Repurchase operation securities (note 7)	\$ 125,889	166,426
Unrestricted government bonds	8,557	208
Unrestricted bank bonds	-	2,001
Guaranteed government bonds	-	169
	\$ 134,446	168,804

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Repurchase agreements

Repurchase operations at December 31, 2018 and 2017 are comprised as follows:

		2018			2017	
	Carrying amount	Fair value	Surplus	Carrying value	Fair value	Surplus
Government securities in repurchase/resale agreements	\$ 125,821	125,889	68	166,386	166,426	40

- Unrestricted government bonds

Unrestricted government bonds at December 31, 2018 and 2017, were comprised as follows:

		2018			2017	
	Carrying amount	Fair value	Surplus	Carrying value	Fair value	Surplus
Unrestricted government bonds	\$ 8,546	8,557	11	208	208	-

- Unrestricted bank bonds

At December 2018, the Institution does not have unrestricted bank bonds.

Unrestricted bank bonds at December 31, 2017 were comprised as follows:

		2017	
	Carrying amount	Fair value	Surplus
Debt instruments	2,001	2,001	-

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

- Guaranteed government bonds

At December 2018 the institution does not have guaranteed government bonds.

Guaranteed government bonds at December 31 2017 were comprised as follows:

		2017	
	Carrying amount	Fair value	Surplus
Guaranteed government bonds	169	169	-

- b. Available for sale securities:

	2018	2017
Shares MXP	\$ 40	33
Shares in US Dollars	15	22
	\$ 55	55

- Shares in Mexican pesos

Shares in Mexican pesos at December 31, 2018 and 2017 were made up as follows:

		2018		2017	
	Acquisition cost	Fair value	Unrealized loss	Acquisition cost	Fair value
Unlisted	\$ 97	40	(57)	97	33
					(64)

- Shares in foreign currency - valued at Millions of Mexican pesos

Shares in foreign currency at December 31, 2018 and 2017 are made up as follows:

		2018		2017	
	Acquisition cost	Fair value	Unrealized gain	Acquisition cost	Fair value
Unlisted in DLS.	\$ 8	15	7	8	22
					14

Dividends collected from shares available for sale in 2018 and 2017 totaled \$1 in both years. The valuation recognized in the other comprehensive income in 2018 and 2017 was \$0 and \$6, respectively.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

- Obligations and other securities

Obligations and other securities at December 31, 2018 and 2017 were made up as follows:

		2018			2017	
	Carrying amount	Fair value	Deficit*	Carrying value	Fair value	Deficit
Debt Certificates	\$ 68	-	(68)	68	-	(68)

*Impairment recognized in retained earnings.

- c. Held to maturity securities:

	2018		2017	
Government bonds	\$	168	\$	162

Government bonds at December 31, 2018 and 2017 are comprised as follows:

		2018			2017	
	Amount	Interest accrued	Total	Amount	Interest accrued	Total
Government bonds	\$ 166	2	168	160	2	162

- d. Interest income, results of valuation and results of purchase and sale of securities in 2018 and 2017 are as follows:

	2018		2017	
Interest income	\$	12,166	\$	10,522
Valuation result		38		-
Result from purchase and sale of securities		25		-
	\$	12,229	\$	10,522

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

(7) Repurchase/resale agreements -

Repurchase/resale agreements carried out at December 31, 2018 and 2017 were mainly Savings Protection Bonds, Development Bonds, Fixed Rate Bonds, Government bonds (Cetes), Udibonds and stock exchange certificates; repurchase operation terms fluctuate from 1 to 28 days.

a. Seller

- Debtors under repurchase/resale agreements

		2018	2017
Government bonds	\$	5,000	7,798
Commercial repurchases		773	839
Total	\$	5,773	8,637
Securities received as collateral for repurchase agreements:			
Government bonds		(5,000)	(500)
Total debtors for repurchase/resale agreements	\$	773	8,137

- Collateral received by the Institution (Memorandum accounts)

		2018	2017
Government bonds	\$	4,999	7,800
Business repurchase agreements		974	1,205
Total	\$	5,973	9,005

- Collateral received and sold or pledged as guarantee by the Institution (Memorandum accounts)

		2018	2017
Government bonds	\$	5,000	502

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

- b. Buyer
- Creditors for repurchase agreements

	2018	2017
Securities owned by the Institution ¹ :		
Government bonds	\$ 125,821	166,384

¹ Repurchased securities are recognized as securities held-for-trading.

In 2018 and 2017 premiums obtained for repurchase/resale agreements amounted to \$463 and \$2,118, respectively and premiums paid for repurchase agreements are \$10,924 and \$11,508 respectively.

(8) Derivatives-

At December 31, 2018 and 2017 derivatives are made up of Certificates of capital contribution (CAP's from Spanish acronym) held-for-trading and fair value and hedging swaps as shown below:

	2018		2017	
	Asset	Liability	Asset	Liability
For trading:				
SWAPS	\$ 109	36	169	105
Options	7	7	5	5
For hedging:				
SWAPS	1,371	8,346	869	8,080
	\$ 1,487	8,389	1,043	8,190
Net position	\$	6,902	7,147	

At December 31, 2018 and 2017, the Institution has contracted swaps for an equivalent of 5,972 million and 4,910, millions of USD respectively, and purchase-sale options for trading of 46.2 million of USD and 47.9 million of USD, respectively as is shown in the next page.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

		2018		2017	
		Purchase	Sale	Purchase	Sale
Hedge swaps:					
To hedge the portfolio	\$	42,066	41,376	28,630	28,112
To hedge securities or security liabilities		68,102	75,767	63,680	71,409
		110,168	117,143	92,310	99,521
For trading		10,112	10,039	1,628	1,564
Options		7	7	5	5
		120,287	127,189	93,943	101,090
Net position	\$	6,902		7,147	

To hedge the loan portfolio:

		(Thousands in currency source)				Mexican pesos	
	Type of swap	Currency source	Principal	Interest	Total	2018	2017
Purchase	Rate	DLS	996,012	181	996,193	\$ 19,576	14,864
Purchase	Rate	MXP	\$21,539,824	113,272	21,653,096	21,653	13,766
Purchase	Currency	MXP	\$ 835,340	1,323	836,663	837	-
						\$ 42,066	28,630

		(Thousands in currency source)				Mexican pesos	
	Type of swap	Currency source	Principal	Interest	Total	Type of swap	Currency source
Sale	Rate	DLS.	996,012	650	996,662	19,586	14,868
Sale	Rate	MXP \$	21,539,824	67,554	21,607,378	21,607	13,776
Sale	Currency	EUR	37,071	93	37,164	835	-
						\$ 42,028	28,644
Valuation	Tasa	Dls.			(6,432)	(127)	(153)
Valuation	Tasa	M.N.			(524,974)	(525)	(379)
						\$ 41,376	28,112

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

To hedge security or bond liabilities:

	Type of swap	Currency source	Thousands in currency source			Mexican pesos	
			Principal	Interest	Total	2018	2017
Purchase Valuation	Currency Currency	MXP MXP	32,606,336	320,551	32,926,887 (934,751)	\$ 32,927 (935)	28,040 (669)
						\$ 31,992	27,371
Purchase Valuation	Currency Currency	DLS DLS	100,000	162	100,162 (27)	\$ 1,968 (1)	- -
						\$ 1,967	-
Purchase Valuation	Rate Rate	DLS DLS	1,412,000	8,282	1,420,282 317,147	\$ 27,910 6,233	28,959 7,350
						34,143	36,309
						\$ 68,102	63,680
	Type of swap	Currency source	Thousands in currency source			Mexican pesos	
			Principal	Interest	Total	2018	2017
Sale Valuation	Currency Currency	DLS DLS	1,918,620	8,210	1,962,830 40,295	\$ 37,865 792	33,496 1,028
						\$ 38,657	34,524
Sale Valuation	Currency Currency	MXP MXP	\$2,025,000 -	10,157	2,035,157 (798)	\$ 2,035 (1)	- -
						\$ 2,034	-
Sale Valuation	Rate Rate	DLS DLS	1,412,000	7,027	1,419,027 365,938	\$ 27,886 7,190	28,872 8,013
						\$ 35,076	36,885
						\$ 75,767	71,409

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

For trading:

	Type of swap	Currency source	Thousands in currency source			Mexican pesos	
			Principal	Interest	Total	2018	2017
Purchase	Rate	MXP	\$ 586,200	51	586,251	\$ 586	-
Valuation	Rate	MXP	-	-	194,269	194	-
						\$ 780	-
Purchase	Rate	DLS	373,580	74	373,654	\$ 7,343	22
Valuation	Rate	DLS			101,200	1,989	1,606
						\$ 9,332	1,628
Sale	Rate	MXP	\$ 586,200	26	586,226	\$ 586	-
Valuation	Rate	MXP	-	-	191,493	192	-
						\$ 778	-

	Type of swap	Currency source	Thousands in currency source			Mexican pesos	
			Principal	Interest	Total	2018	2017
Sale	Rate	DLS.	373,580	57	373,637	\$ 7,342	19
Valuation	Rate	DLS.			97,641	1,919	1,545
						\$ 9,261	1,564

At December 31, 2018 and 2017, the results of valuation of fair value hedge securities were as follows:

	2018		2017	
	Derivative	Primary position	Derivative	Primary position
Swaps	\$ (1,131)	1,136	1,585	(1,585)

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

Options for trading purposes

			Thousands	Amount Mexican pesos	
	<u>Underlying</u>	Currency source	Amount in Currency source	2018	2017
Purchase	Rate	MXP	8,005	\$ 8	7
Purchase	Rate	DLS.	697	14	14
Valuation	Rate			(15)	(16)
				\$ 7	5

			Thousands	Amount Mexican pesos	
	<u>Underlying</u>	Currency source	Amount in Currency source	2018	2017
Sale	Rate	MXP	9,395	\$ 9	8
Sale	Rate	DLS.	721	14	14
Valuation	Rate			(16)	(17)
				\$ 7	5

At December 31, 2018 and 2017, the Institution granted loans with protected rates, whose principal amount of USD 1 million and USD 1.8 million and fair value of USD 6,000 and USD 7,000, respectively has been recognized in other memorandum accounts.

(9) Loan portfolio-

Policies and procedures for making, controlling and recovering loans.

The loans manual contains the guidelines of the Credit Process (PDC from Spanish), which starts with the definition of the target market and finishes with the recovery of the loan.

Specific policies for each phase of the PDC process mentioned below are established in the operating manuals and are an integral part of the Institution's credit policy framework.

Business development

1. Development and/or updating of programs and products
2. Promotion management - first tier

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

3. Promotion management - second tier
4. First tier credit files management
5. Second tier credit files management
 - o Addendum No. 1 (August 1, 2017)

Analysis and decisions

1. Borrower Evaluation. Credit analysis - first tier
 - Financial program matrices first tier
2. Borrower Evaluation. Credit analysis - second tier
 - Financial Program Matrixes - second tier
3. Borrower analysis. Legal report and/or personality report.
4. Authorization

Instrumentation and disbursement

1. Contracting - first tier
2. Contracting - second tier
3. Registration and release of credit lines, authorization of disposal and letters of credit - first tier
4. Registration and release of credit lines, authorization of disposal and letters of credit - second tier
5. Safeguarding of securities documentation - first tier
6. Safeguarding of securities documentation - second tier

Tracing

1. Portfolio management and control - first tier
 - o Addendum No. 1 (September 22, 2017)
2. Portfolio management and control - second tier
 - o Addendum No. 1 (September 22, 2017)
3. Supervision and Monitoring of Accredited and Intermediaries
4. Portfolio rating

Recovery

1. Specialized Collections Function (FEC from Spanish acronym)
2. Collections management - first tier
3. Collections management - second tier
4. Application of allowance for loan losses and write-offs loan

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

Support processes

1. Credit regulation
2. Borrower investigation
3. Preparation of General Reports of the Credit Process (PDC from Spanish acronym)
4. Receipt, management, promotion and sale of property and foreclosed assets
 - o Addendum No. 1
5. Prices and rates system
6. Management System for Environmental and Social Risks (SARAS from Spanish acronym)

Other loan programs

1. Former employee portfolio management
2. Financing of foreign trade inventories

Following are management's policies and procedures for determining risk concentrations.

According to section II of article 80 of the General Provisions Applicable to Credit Institutions issued by the CNBV, specifically as concerns credit portfolio risk, the Institution measures, evaluates and follows up on its concentration per type of financing, rating, economic sector, geographic area and borrower. Concentrations are reported monthly to the CAIR through the Report on loan portfolio.

The Institution's Risk Management department issues Risk Regulation Circulars that contain an internal policy to determine the maximum financing amounts allowed for Common Risks per type of borrower, which are below the regulatory risks established by the CNBV, in order to control concentration per borrower or group of borrowers that pose Common Risks.

Concentration risk

Following are management's policies and procedures for determining risk concentrations.

Per borrower:

For the purpose of carrying out Asset Operations, article 54 of the General Provisions Applicable to Credit Institutions of the CNBV establishes that banks must establish maximum financing limits for a single person or groups of persons who, given the Common Risk, are considered to qualify as one person.

In accordance with article 57 of those Provisions, the regulatory limits applicable to the Institution in the fourth quarter of 2018 were determined considering the 11.89% capital ratio and core capital of 27,168.1 at June 2018. Regulatory limits are 25% of the core capital (\$6,792, equivalent to 345.6 million of USD at the \$19.6512 exchange rate in effect on December 31, 2018) per private sector borrower and 100% of the core capital (\$27,168.1, equivalent to 1,382.5 million of dollars) for other types of borrowers.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

The Comprehensive Management Regulations Manual establishes that the prudential measure of observing 85% ratio of the regulatory limits to avoid breakage in the event of high depreciation at the peso/dollar exchange rate or in case of reductions in the core capital.

Prudential limits applicable to the Institution in the quarter in question are \$5,773.2 (equivalent to \$293.8 million of dollars) per borrower of the private sector and \$23,092.9 (equivalent to \$1,175.1 million of dollars) for other types of borrowers.

However, the Institution determines financing amounts below the prudential limits as part of its internal measures to prevent concentrations and supervening facts to the granting of loans. The internal financing policy established by management per borrower or group of borrowers of the private sector when represent Common Risks is of \$230 million of dollars, equivalent of \$4,519.8, which comprises 16.64% of the core capital.

Per economic sector:

In order to manage the soundness of the main loan portfolios during economic crisis, there is a maximum prudential limit of 30% of the balance of each portfolio per geographic area or city, economic sector and loan beneficiary, in order to avoid concentration and shorten and diversify risk.

(a) Loan Portfolio-

At December 31, 2018 and 2017, the loan portfolio was comprised as follows:

Type of loan	2018			2017		
	Current	Past-due	Total	Current	Past-due	Total
<i>Portfolio in foreign currency, valued in millions of Mexican pesos:</i>						
Commercial loans	\$ 109,544	3,850	113,394	108,949	1,454	110,403
Loans to financial entities	10,998	-	10,998	11,554	1	11,555
Loans to government entities	5,018	-	5,018	5,187	-	5,187
Subtotal, at the following page	\$ 125,560	3,850	129,410	125,690	1,455	127,145

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Type of loan	Current	2018		Current	2017	
		Past-due	Total		Past-due	Total
Subtotal, from the previous page	\$ 125,560	3,850	129,410	125,690	1,455	127,145
<i>Portfolio in Mexican pesos:</i>						
Commercial loans	77,021	1,122	78,143	61,318	453	61,771
Loans to financial entities	22,125	120	22,245	20,171	28	20,199
Consumer loans	20	1	21	10	2	12
Mortgages loans	81	4	85	88	4	92
Subtotal	99,247	1,247	100,494	81,587	487	82,074
Total	\$ 224,807	5,097	229,904	207,277	1,942	209,219

Breakdown of the portfolio per economic sector at December 31, 2018 and 2017:

Sector per economic activity	2018		2017	
	Amount	%	Amount	%
Real property and lease services	\$ 28,166	12.25	27,607	13.20
Tourism	32,334	14.06	27,272	13.04
Steel products, machinery and equipment	23,773	10.34	23,813	11.38
Transportation and communication	20,845	9.07	17,960	8.58
Electricity, gas and water	25,098	10.92	15,758	7.53
Commerce	15,061	6.55	14,605	6.98
Chemical substances and plastic or rubber items	14,556	6.33	12,527	5.99
Food, beverages and tobacco	8,221	3.58	8,821	4.22
Non-metal mineral products	5,849	2.54	7,065	3.38
Metal industry	4,455	1.94	3,961	1.89
Construction industry	3,769	1.64	3,842	1.84
Mining	846	0.37	2,552	1.22
Subtotal at the following page	\$ 182,973	79.59	165,783	79.25

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Sector per economic activity	2018		2017	
	Amount	%	Amount	%
Subtotal from the previous page	\$ 182,973	79.59	165,783	79.25
Paper, print shops and publishing houses	2,649	1.15	2,084	1.00
Professional, personal and social services	3,869	1.68	1,714	0.82
Lumber and Wood products industry	745	0.32	757	0.36
Textiles, clothing and leather industry	600	0.26	406	0.19
Agricultural industry	60	0.03	302	0.14
Unclassified services	1,215	0.53	1,598	0.76
Individuals	106	0.05	104	0.05
Valuation of primary position portfolio at risk	(574)	(0.25)	(470)	(0.23)
Private sector	\$ 191,643	83.36	172,278	82.34
Government sector	5,018	2.18	5,187	2.48
Financial sector	33,243	14.46	31,754	15.18
Total	\$ 229,904	100.00	209,219	100.00

Past due portfolio at December 31, 2018 and 2017-

Maturity	2018		2017	
	Amount	%	Amount	%
From 1 to 180 days	\$ 431	8	1,449	75
From 181 to 365 days	2,773	55	2	-
From 1 to 2 years	1,441	28	3	-
More than 2 years	452	9	488	25
Total	\$ 5,097	100	1,942	100

Changes in past due portfolio for the year end at December 31, 2018 and 2017-

	2018	2017
Opening balance of past due portfolio	\$ 1,942	2,044
Difference per exchange rate from opening balance	163	(168)
Payments	(234)	(610)
Write-offs	(39)	(743)
At the following page	\$ 1,832	523

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

	2018	2017
From the previous page	\$ 1,832	523
Allocations to performing portfolio	(977)	(218)
Cancellations due to restructurings	(209)	(121)
Loan openings due to restructurings	436	216
Allocations to past due portfolio	3,999	1,529
Capitalization	16	15
Others	-	(2)
Ending balance of past due portfolio	\$ 5,097	1,942

At December 31, 2018 and 2017, the past due portfolio balance is of eleven and ten former employees in each year, and of eight and fourteen companies, respectively. Seven companies (thirteen in 2017) are involved in a judicial or extrajudicial collection process and one is under sustained payment in 2018 and 2017 respectively.

Restructured and renewed loans –

Loan	2018 Portfolio			2017 Portfolio		
	Current	Past-due	Total	Current	Past-due	Total
Commercial loans:						
Restructured	\$ 22,232	806	23,038	16,954	505	17,459
Renewed	11,998	364	12,362	1,109	-	1,109
Mortgages loans:						
Restructured	15	3	18	17	3	20
Consumer loans:						
Restructured	1	-	1	1	-	1
Total	\$ 34,246	1,173	35,419	18,081	508	18,589

On October 31, 2013 a debt recognition, interest capitalization and reorganization agreement was formalized with a foreign financial entity, whereby it was agreed to recover a total of DLS146.3 million and which is recognized in memorandum accounts. According to such agreement, the amount mentioned will be recovered in a term of 15 years through quarterly payments. At December 31, 2018 and 2017, the equity balance is DLS 93 million and DLS 102 million, respectively.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Additional guarantees and concessions issued for restructured loans-

At December 31, 2018 and 2017 additional guarantees or concession were granted to the restructured loans for \$17 y \$366, respectively.

Interest and commissions-

Type of loan	2018 Portfolio			2017 Portfolio		
	Interest accrued	Commissions accrued	Total	Interest accrued	Commissions accrued	Total
Commercial loans	\$ 12,367	211	12,578	9,135	215	9,350
Loans to Financial entities	2,184	-	2,184	1,755	-	1,755
Loans to Government entities	270	4	274	286	-	286
Consumer loans	1	-	1	1	-	1
Mortgages loans	5	-	5	6	-	6
Total	\$ 14,827	215	15,042	11,183	215	11,398

Commissions on initial granting of loans -

Commissions collected upon initial granting of loans not yet deferred at December 31, 2018 and 2017 totaled \$733 and \$588, respectively are offset against income for the year as interest income by the straight line method over the life of the loan. The weighted term for amortizing commissions at December 31, 2018 and was 4.82 years.

Rediscounts-

Rediscounts in 2018 and 2017 amounted to \$33,376 and 31,741, respectively.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Breakdown of troubled debt portfolio and non-troubled debt portfolio-

Following is the breakdown of total loans, classified as troubled and non-troubled, current and past due:

		2018	
	Current	Past due	Total
Non-troubled portfolio	\$ 254,900	-	254,900
Troubled portfolio	1,190	4,999	6,189
Past-due interest	-	93	93
Total rated portfolio	\$ 256,090	5,092	261,182

		2017	
	Current	Past due	Total
Non-troubled portfolio	\$ 234,267	-	234,267
Troubled portfolio	2,837	1,920	4,757
Past-due interest	-	17	17
Total rated portfolio	\$ 237,104	1,937	239,041

- A) Valued at the exchange rates in effect on December 31, 2018 and 2017.
- B) Rated portfolio.
- C) It includes of the commercial portfolio, government entities, financial intermediaries and irrevocable guarantees, and letters of credit and international factoring.
- D) Does not include the consumer loan and mortgage portfolio
- E) Past due interest is included for information purposes, as established in the provisions for rating portfolios and reserved as incurred.

*As of December 31, 2018, it includes guarantees and credit letters granted in the amount of \$28,882, guarantees issued \$1,286, factoring of \$670 and others in the amount of \$546. As of December 31, 2017, it includes guarantees and credit letters granted in the amount of \$27,435, guarantees issued of \$1,552, factoring of \$548 and others in the amount of \$391.

(b) Allowance for loan losses -

As explained in Note 3 (i), the Institution classifies its portfolio and settled an allowance to hedge the credit risks associated with the recovery of its loan portfolio.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Total portfolio per type of loan at December 31, 2018-

Rating	Commercial	Government Entities	Financial Intermediaries	Guarantees	Mortgage Portfolio	Consumer loan Portfolio	Total
A-1 Minimum	\$ 161,472	4,972	22,446	29,147	70	-	218,107
A-2 Minimum	17,783	-	8,181	1,666	5	-	27,635
B-1 Low	3,220	-	2,494	-	-	-	5,714
B-2 Low	125	-	444	-	1	17	587
B-3 Low	2,690	-	-	25	3	1	2,719
C-1 Medium	127	-	39	-	1	-	167
C-2 Medium	69	-	-	-	3	1	73
D High	504	-	-	-	-	-	504
E Irrecoverable	5,565	-	120	-	2	2	5,689
Subtotal	191,555	4,972	33,724	30,838	85	21	261,195
Past-due interest	93	-	-	-	-	-	93
Total	\$ 191,648	4,972	33,724	30,838	85	21	261,288

Does not include the rating-exempt portfolio of \$46.

Allowance required per risk group at December 31, 2018-

Rating	Commercial	Government Entities	Financial Intermediaries	Guarantees	Mortgage Portfolio	Consumer loan Portfolio	Total
A-1 Minimum	\$ 812	25	134	122	-	-	1,093
A-2 Minimum	195	-	102	16	-	-	313
B-1 Low	53	-	44	-	-	-	97
B-2 Low	3	-	10	-	-	1	14
B-3 Low	83	-	-	1	-	-	84
C-1 Medium	9	-	2	-	-	-	11
C-2 Medium	10	-	-	-	-	-	10
D High	173	-	-	-	-	-	173
E Irrecoverable	4,378	-	93	-	1	3	4,475
Subtotal	5,716	25	385	139	1	4	6,270
Past-due interest	93	-	-	-	-	-	93
Total	\$ 5,809	25	385	139	1	4	6,363

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Total portfolio per type of loan at December 31, 2017-

Rating	Commercial	Government Entities	Financial Intermediaries	Guarantees	Mortgage Portfolio	Consumer loan Portfolio	Total
A-1 Minimum	\$ 141,605	5,126	24,727	27,402	84	-	198,944
A-2 Minimum	15,738	-	5,716	1,927	1	-	23,382
B-1 Low	6,351	-	1,128	-	-	-	7,479
B-2 Low	268	-	286	-	1	9	564
B-3 Low	3,081	-	140	1	-	1	3,223
C-1 Medium	451	-	-	205	2	-	658
C-2 Medium	-	-	115	-	1	-	116
D High	2,902	-	29	-	-	-	2,931
E Irrecoverable	1,825	-	-	-	3	2	1,830
Subtotal	172,221	5,126	32,141	29,535	92	12	239,127
Past-due interest	17	-	-	-	-	-	17
Total	\$ 172,238	5,126	32,141	29,535	92	12	239,144

Does not include the rating-exempt portfolio of \$58.

Allowance required per risk group at December 31, 2017-

Rating	Commercial	Government Entities	Financial Intermediaries	Guarantees	Mortgage Portfolio	Consumer loan Portfolio	Total
A-1 Minimum	\$ 690	26	114	110	-	-	940
A-2 Minimum	160	-	57	21	-	-	238
B-1 Low	102	-	17	-	-	-	119
B-2 Low	6	-	7	-	-	-	13
B-3 Low	103	-	5	-	-	-	108
C-1 Medium	45	-	-	14	-	-	59
C-2 Medium	-	-	12	-	-	-	12
D High	1,253	-	13	-	-	-	1,266
E Irrecoverable	1,050	-	-	-	2	2	1,054
Subtotal	3,409	26	225	145	2	2	3,809
Past-due interest	17	-	-	-	-	-	17
Total	\$ 3,426	26	225	145	2	2	3,826

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

At December 31, 2018 and 2017 changes in the allowance for loan losses were as follows:

		2018	2017
Balance at the beginning of the year	\$	3,826	3,730
Increase / (release), net		2,541	990
Write off		(39)	(743)
Exchange effect		35	(151)
Final Balances	\$	6,363	3,826

For the years ended December 31, 2018 and 2017, the allowance for loan losses constituted by the Institution includes charges of \$2,554 and \$1,123 recognized in the allowance for loan losses and \$10 and \$133 recognized in other income of the operation, respectively. As of December 31, 2018 and 2017 \$13 and \$3 were received from a counter-guarantee found to constitute the reserve respectively, of which \$3 was applied in 2018 fiscal year.

The allowance from past-due-portfolio was \$93 and \$17, for the years ended December 31, 2018 and 2017, respectively.

In rating the loan portfolio at December 31, 2018 and 2017, the Institution applied the methodologies set forth in the General Provisions Applicable to Credit Institutions for each year.

In 2018, loan loss reserves comprised 2.8% of the total portfolio and covered 1.25 times the past-due loan portfolio; in 2017 those factors were 1.8% and 1.97 times respectively.

Criterion B-6 "Loan portfolio" of Exhibit 33 of the Bank Circular establishes that the Institution may opt to eliminate from its assets any past due loans that have been reserved 100%. In 2018, the Institution applied the balance of 11 loans against the allowance for loan losses for a total for an amount of \$39. In 2017 the Institution applied the balance of 4 loans against the loan loss reserve for a total for an amount of \$528.

The financing granted of a trust related to the aeronautical sector, eliminated from assets in 2011, is in its final stage of recovery, and is duly guaranteed.

The portfolio balances removed from the asset, both in thousands of dollars and in Mexican pesos that are managed in memorandum accounts, are as shown on the following page.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

	2018		2017	
	DLS Thousand	Mexican Pesos	DLS Thousand	Mexican Pesos
Past-due capital				
Companies	265	\$ 686	296	\$ 688
Former employees	-	21	-	25
Total capital	265	\$ 707	296	\$ 713
Past-due interest				
Companies	4	16	5	17
Total interest	4	\$ 16	5	\$ 17

As of December 31, 2018 and 2017, the amount of the recoveries of this loan portfolio eliminated from the asset was \$463 and \$265 and were recorded in the Other operating Income (Expenses).

The balance of the rating-exempt portfolio (Federal Government and Development Banking) is of \$46 and \$58 in 2018 and 2017, respectively.

Interest income recognized in loans at capitalization time-

Interest income recognized in the moment of capitalization in 2018 and 2017 amount to \$55 and \$15, respectively.

Credit lines-

The amount of opening credit lines recognized in memorandum accounts at December 31, 2018 and 2017 amounted to \$16,313, 4,440 million DLS and 74million of Euros, and \$13,961, 4,775 million DLS and .44 million of Euros, respectively.

(10) Other accounts receivable, net-

At December 31, 2018 and 2017, the other accounts receivable shown on the following page.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

	2018	2017
Debtors for collateral given in cash	\$ 7,054	7,701
Loans granted to Institution's personnel	2,419	2,245
Recoverable balances of taxes pending to be offset or recovered	723	-
Debtors for settlement of currency purchase and sale operations	206	235
Sundry debtors	44	35
Debtors for commissions on current operations	13	11
Value added tax	7	16
Assigned accounts receivable	4	8
Debtors for settlement of repurchase agreements	1	1
	10,471	10,252
Write-off allowance	(15)	(15)
Total	\$ 10,456	10,237

At December 31, 2018 and 2017, the Institution has accounts receivable in foreign currency valued at Mexican pesos of \$10 and \$9, respectively.

(11) Foreclosed assets-

The breakdown of these assets at December 31, 2018 and 2017 is shown below:

Item	Mexican pesos	Million at USD	Valued foreign currency	2018	2017
Movable property	\$ 78	-	\$ -	78	91
Securities	-	48	948	948	1,155
Collections rights	-	33	645	645	648
Subtotal	\$ 78	81	\$ 1,593	1,671	1,894
Real property:					
Farm land	\$ 98	-	-	98	105
Urban land	153	-	-	153	154
Single family homes	78	-	-	78	76
Apartments	9	-	-	9	8
Industrial parks	413	-	-	413	362
Commercial establishments	123	-	-	123	123
Other	74	-	-	74	44
Subtotal	\$ 948	-	\$ -	948	872
At the following page	\$ 1,026	81	1,593	2,619	2,766

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Item	Mexican pesos	Million at USD	Valued foreign currency	2018	2017
From previous page	\$ 1,026	81	1,593	2,619	2,766
Goods held for sale:					
Real property	102	-	-	102	102
Movable property	-	-	-	-	1
Subtotal	102	-	-	102	103
	1,128	81	1,593	2,721	2,869
Less:					
Allowances	1,108	81	1,593	2,701	2,849
Total	\$ 20	-	-	20*	20

* Relates to the amount at December 31, 2018 and 2017, of goods held-for-sale, with a value \$102 and \$103 respectively and reserves of \$82 and \$83, respectively.

Allowance for foreclosed assets or assets -

The allowance of foreclosed assets or at December 31, 2018 and 2017 was as follows:

	2018	2017
Securities	\$ 948	1,155
Movable property	78	91
Collection rights	645	648
Goods held-for-sale	82	83
Real property	948	872
Total allowance	\$ 2,701	2,849

The charge to income statements for the allowance was \$135 and \$1,642 in 2018 and 2017, respectively.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

(12) Property, furniture and equipment-

At December 31, 2018 and 2017, this caption is shown as follows:

	Useful life		2018	2017
Building	90 years	\$	569	538
Furniture and equipment	10 years		528	512
Computer equipment	3.3 years		135	135
Transportation equipment	4 years		3	3
			1,235	1,188
Less: accumulated depreciation			(820)	(808)
Total investments subject to depreciation			415	380
Construction in progress			8	-
Land			82	82
Total investments do not subject to depreciation			90	82
Total		\$	505	462

The charge to income statement for depreciation and amortization in 2018 and 2017 was \$12 and \$8, respectively.

(13) Permanent investments-

- a. The main companies for which the equity method was used, and the Institution's shareholding in those companies, at December 31, 2018 and 2017, are as follows:

Company	Shareholding (%)		Activity
	2018	2017	
Cesce México, S. A. de C. V. (CESCEMEX)	48.99	48.99	Insurance
Corporación Mexicana de Inversiones de Capital, S. A. de C. V. (CMIC)	5.46	5.67	Investment fund

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

- b. The amounts used to recognize the equity method at December 31, 2018 and 2017 are shown below:

Company	Capital stock	(Accumulated Losses) retained earnings	(Loss) income for the period	Total	
				2018	2017
CESCEMEX	\$ 93	(16)	(3)	74	79
CMIC	358	63	40	461	418
Others	-	-	-	70	53
Total	\$			605	550

The net effect of the valuation of the permanent investments as of December 31, 2018 is \$55. The effect on results is \$61 and \$15 as of December 31, 2018 and 2017, respectively. As of December 31, 2018, the unfavorable valuation result in permanent investments that went to the capital stock was \$8. In 2018, an investment of \$2 was made.

- c. At December 31, 2018 and 2017, the assets, liabilities and main captions of the statement of income of associated companies are as follows:

2018				
Total				
	Assets	Liabilities	Income	Expenses
CESCEMEX	\$ 373	223	75	74
CMIC	9,169	724	1,514	101
2017				
Total				
	Assets	Liabilities	Income	Expenses
CESCEMEX	\$ 325	165	58	74
CMIC	8,081	703	350	330

- d. Investments in shares of associated companies located in Mexico in which there is no control or significant influence are shown valued by the acquisition cost method. The acquisition cost of other permanent investments in shares is \$70 and \$53 in 2018 and 2017.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

(14) Time deposits-

Time deposits at December 31, 2018 and 2017 are as follows:

		2018	2017
Notes with interest payable at maturity	\$	86,899	85,813
Fixed-term deposits foreign currency.		28,618	33,989
Deposits for special savings loan		1,169	1,062
Fixed-term MXP deposits		755	139
Net hedging swaps valuation		(5)	(15)
Total	\$	117,436	120,988

Following are the features of notes with interest payable at maturity in 2018 and 2017:

Issue	Term	Average Rate		2018	2017
Note	1 to 29 days	8.42%	\$	73,074	85,813
Note	30 to 179 days	8.25%		13,825	-
			\$	86,899	85,813

Term deposits payable to related parties at December 31, 2018 and 2017 were of \$119 and \$146 and interest paid was \$9 and \$11, respectively.

Following are the features of fixed-term deposits in foreign currency for 2018 and 2017:

Term	Rate	Initial Amount	Accrued interest	2018	2017
1 to 29 days	From 1.90 to 2.40%	\$ 19,679	3	19,682	23,967
30 to 179 days	From 2.20 to 2.80%	4,172	9	4,181	4,045
180 to 360 days	From 2.20 to 3.07%	1,938	22	1,960	3,051
More than 360	From 2.15 to 3.10%	2,755	40	2,795	2,926
		\$ 28,544	74	28,618	33,989

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

(15) Debt instruments issued-

At December 31, 2018 and 2017, this caption is comprised as follows:

	2018	2017
Debt instruments	\$ 25,113	17,145
Bank bonds	19,798	19,805
Net hedging swaps valuation	(2,796)	(2,392)
	\$ 42,115	34,558

Following are the features of the debt securities:

Rate	Term days	Maturity	Amount	2018	
				Interest	Total
5.75%	1,281	04/07/22	\$ 1,500	42	1,542
5.94%	1,411	11/11/22	2,000	15	2,015
5.61%	1,509	17/02/23	3,000	60	3,060
6.54%	2,164	03/12/24	3,500	13	3,513
7.60%	540	23/06/20	4,000	18	4,018
7.42%	1,996	25/05/21	5,078	-	5,078
7.82%	876	18/06/24	5,120	24	5,144
7.86%	1,604	23/05/23	740	3	743
			\$ 24,938	175	25,113

Rate	Term days	Maturity	Amount	2017	
				Interest	Total
5.75%	3,640	04/07/22	\$ 1,500	42	1,542
5.94%	3,640	11/11/22	2,000	14	2,014
5.61%	3,640	17/02/23	3,000	60	3,060
6.54%	3,640	03/12/24	3,500	11	3,511
7.60%	905	23/06/20	4,000	15	4,015
7.42%	2,361	18/06/24	3,000	3	3,003
			\$ 17,000	145	17,145

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

The features of bank bonds are as follows:

Rate	Term days	Maturity	Amount	2018	
				Interest	Total
4.375% Discount	2,479	14/10/2025	\$ 19,651	181	19,832 (34)
\$					19,798

Rate	Term days	Maturity	Amount	2017	
				Interest	Total
4.375% Discount	3,650	14/10/2025	\$ 19,663	181	19,844 (39)
\$					19,805

The total amount of the bonds issued was applied to a floating rate at the date of issue through swaps operations carried out on the following terms:

Of USD 600 million subject to Three-month Libor + 233.45 basis points (bp).

Of USD 400 million subject to Six-month Libor + 221.00 bp.

The additional annual cost of issue expenses is approximately 4.9 bp.

(16) Due to bank and other entities -

The balances of Due to bank and other entities at December 31, 2018 and 2017 are as follows:

	2018	2017
Commercial credit lines	\$ 36,236	27,817
Guaranteed credit lines	8,356	7,350
Development banking	5,559	9,075
Implementing agent	4,021	4,035
Official bodies	2,555	2,065
Call money operations	2,044	2,190
Federal government loans	1,397	1,491
Interest provisions	202	244
	\$ 60,370	54,267

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

At December 31, 2018, the concepts of the loans are integrated as shown below:

Counterparty	Currency	Rate	Currency source millions	Valued to Mexican pesos
a. Commercial credit lines				
Foreign banks	DLS.	From 2.25 to 3.47 %	1,213	\$ 23,836
Domestic Banks	MXP	From 8.03 to 8.48 %	12,400	12,400
				\$ 36,236
b. Guaranteed credit lines				
Foreign banks	DLS.	From 1.25 to 3.90 %	425	\$ 8,353
Foreign banks	Euro	2.00 %	0.13	3
				\$ 8,356
c. Development banking				
Domestic banks	DLS.	Del 2.20 al 2.69 %	283	\$ 5,559
d. Implement agent				
International bodies and foreign banks	DLS.	From 3.42 to 3.44 %	205	\$ 4,021
e. Official bodies				
International bodies	DLS.	From 2.9566 to 3.0935 %	130	\$ 2,555
f. Call Money				
Domestic banks	DLS.	From 2.20 to 2.25 %	104	\$ 2,044

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Counterparty	Currency	Rate	Currency source millions		Valued to Mexican pesos
g. Federal Government loans					
Domestic banks	MXP	7.97%	70	\$	70
Domestic banks	DLS.	From 1.9466 to 2.3493 %	68		1,327
				\$	1,397
At December 31, 2017, this caption is comprised as follows:					
a. Commercial credit lines					
Foreign banks	DLS.	From 1.81 to 2.23%	1,135	\$	22,317
Domestic banks	MXP	From 7.10 to 7.44%	5,500		5,500
				\$	22,817
b. Guaranteed credit lines					
Foreign banks	DLS.	From 1.25 to 3.90%	373	\$	7,345
Foreign banks	Euro	2.00%	-		5
				\$	7,350
c. Development banking					
Domestic banks	DLS.	From 1.30 to 1.50%	462	\$	9,075

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Counterparty	Currency	Rate	Currency source millions	Valued to Mexican pesos
d. Implement agent				
International bodies and foreign banks	DLS.	From 1.99 to 2.41 %	205	\$ 4,035
e. Call Money				
Domestic banks	DLS.	From 1.30 to 1.36 %	111	\$ 2,190
f. Official bodies				
International bodies	DLS.	From 1.82 to 2.28 %	105	\$ 2,065
g. Federal Government loans				
Domestic banks	MXP	7.01 %	65	\$ 65
Domestic banks	DLS.	From 1.3607 to 1.9466 %	72	1,426
				\$ 1,491

Those loans are contracted with domestic and foreign credit institutions without significant concentration on any of them.

(17) Sundry creditors and other accounts payable -

At December 31, 2018 and 2017, this item is comprised as follows:

	2018	2017
Liabilities arising from bank services rendered	\$ 1,013	923
Provisions for exposure to legal and operating risk	855	822
Provisions for sundry obligations	93	171
Other sundry creditors	218*	156
Total	\$ 2,179	2,072

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

*In accordance with the Accounting Criteria for Credit Institutions, in the area of Cash and cash equivalents, it is established that if any concept is with a negative balance, it must should be reclassified to the liability. As of December 31, 2018, the net balance of currencies for \$ 134, in accordance with the Accounting Criteria for Credit Institutions.

Below is the analysis of the movements of provisions due to exposure to legal and operating risk for the years ended at December 31, 2018 and 2017.

		2018	2017
Balances at beginning of year	\$	822	824
Increases		90	79
Cancellations		(58)	(45)
Exchange effects		1	(36)
Closing balances	\$	855	822

(18) Employee benefits -

a. Defined benefit pension plans

The Institution has a defined benefit pension plan that covers all employees who meet the requirements established in the general work conditions, which consists of giving them a pension calculated on the basis of the average salary earned in the last year of services, plus a year-end bonus and vacation premium, to which a percentage based on age and years of service is applied.

The pension plan also covers seniority premiums, which consist of a sole payment equivalent to 12 salary days per year worked based on the most recent salary (which is limited to twice the minimum bank salary in effect at the date of retirement), as well as payment of other retirement benefits, including medical expenses, medicines, hospital fees and sports fees.

The "Special savings loan Program(PEA for Spanish acronym)" consists of a loan offered by the Institution to its retired and active personnel that can only be used as an investment (time deposit) in the Institution, thus guaranteeing a minimum yield with a difference payable by the Institution against the funding rate.

The respective liability and the annual cost of post-retirement benefits are calculated by an independent actuary using the bases of the plans, the Provisions of the CNBV and FRS D-3 (Employee benefits).

In 2018 and 2017, the investment of the funds covers the reserves for labor obligations, without exceeded in the Defined Benefit Pension Fund.

Contributions to the Defined Benefit Pension Fund were for \$575 and \$505 in 2018 and 2017, respectively. \$61 and \$89 were contributed to the PEA fund in 2018 and 2017, respectively

In 2018 and 2017, those contributions include recycling remeasurements of the accumulated balance of plan losses not yet recognized (corridor approach) in the average remaining labor life.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

b. Defined contribution pension plan

As of January 1, 2007, the Institution modified the general labor conditions based on the trends and best practices for managing and operating retirement and pension schemes, in order to incorporate the new employees and the employees who decided to migrate from the Defined Benefit System to the Defined Contribution System. This arrangement provides for better control over plan costs and liabilities, and makes it possible to maintain a proper cost-benefit ratio for the Institution and its employees, and establishes clear contribution or retirement rules. At December 31, 2018 and 2017, the Defined Contribution Trust was of \$243 and \$251, respectively.

At December 31, 2018, the Institution had the next pages balances resulting from the actuarial valuation performed by an independent expert.

December 31, 2018

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
Net cost of the period				
Service cost	\$ 101	1	67	51
Net interest	49	1	66	2
Remeasurement recycling	125	1	164	8
	\$ 275	3	297	61
Acquired benefit obligation (ABO)				
	\$ 7,050	-	4,668	2,344
Defined benefit obligation (DBO)				
	(7,973)	(16)	(5,500)	(2,903)
Fair value of plan assets				
	7,480	11	4,848	2,922
Net (liability) asset for defined benefit	(493)	(5)	(652)	19

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
Accumulated actuarial losses pending to be recognized in Other Comprehensive Income (OCI) (stockholders' equity)	867	4	555	201
(Earnings) / Losses recognized in OCI (Stockholders' equity) pending to be recycled in income of the year	(374)	-	99	(220)
Accumulated actuarial losses pending to be recognized in OCI and in the statement of income	\$ 493	4	654	(19)
Reserve balance at the beginning of year	\$ -	-	(3)	-
Net cost of the period	275	3	297	61
Contributions to the fund	(275)	(3)	(297)	(61)
Reserve balance at end of year	\$ -	-	(3)	-

Based on the Resolution that amends the general Provisions applicable to lending institutions published on December 31, 2015, the Institution opted to start the recognition re-measurements of the repairs of the accumulated balance of plan actuarial losses of the accumulated up to 2015 as of 2021, by recognizing 20% of those balances as of the initial application and an additional 20% in each subsequent year. Those balances must be recognized at each period end.

The Institution provided timely notice to the CNBV of its decision to apply the option specified in the Transitory Article Three of the General Provisions Applicable to Credit Lending Institutions.

At December 31, 2018, re-measurements of liabilities (assets) from defined benefits, net, determined during the actuarial valuation are as follows:

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
DBO	\$ 7,973	16	5,500	2,903
DBO estimated	8,431	18	5,857	3,145
Actuarial (earnings)/losses in obligations	(458)	(2)	(357)	(242)
Fair value of plan assets	7,480	11	4,849	2,922
Estimated value of plan assets	7,819	12	5,045	3,105
(Earnings) / losses in the return of the plan assets	339	1	196	183
Remeasurement of the period to be recognized in other comprehensive income	\$ (119)	(1)	(161)	(59)

Reconciliation of the plan gains and losses as of December 31, 2018

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
Remesurement pending to be recognized in OCI Actuarial (gains) / losses in obligations at the beginning of the year	\$ 779	2	246	168
Recycling	(132)	-	(41)	(28)
Actuarial (earnings)/losses in obligations as of the end of year	647	2	205	140
(Gains) / losses in the return of plan assets at the beginning of the year	264	2	421	74
Recycling	(44)	-	(71)	(13)
(Gains) / losses in the return of plan assets at the end of the year	220	2	350	61
Total remeasurement pending to be recognized in OCI	\$ 867	4	555	201

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
Remesurement recognized in OCI				
(Gains) / losses in obligations at the beginning of the year	\$ (282)	2	337	(185)
Recycling	47	-	(56)	31
Actuarial (earnings)/losses in obligations of year	(458)	(2)	(357)	(242)
(Actuarial (earnings)/losses in obligations as of the end of year	(693)	-	(76)	(396)
(Gains) / losses in the return of plan assets at the beginning of the year	(24)	1	(25)	(9)
Recycling	4	(1)	4	2
(Gains) / losses in the return of plan assets of the year	339	1	196	183
(Gains) / losses in the return of plan assets at the end of the year	319	1	175	176
Total remeasurement recognized in OCI	(374)	1	99	(220)
Total remeasurement				
Actuarial (gains)/losses in obligations at the end of the year	(46)	1	129	(256)
(Gains) / losses in the return of plan assets at the end of year	539	4	525	237
Total remeasurements	\$ 493	5	654	(19)

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

The Institution has accumulated actuarial losses pending to be recognized as of December 31, 2018, in OCI of \$1,133 which will be recognized from as of to 2021, in compliance with the option exercised, of deferring such recognition according to the resolution that modifies the general regulations applicable to financial institutions, as published in the Federal Official Gazette on December 31, 2015.

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
Actuarial loss (differences in assumptions)	5.87 years	6.61 years	5.87 years	5.87 years
Actuarial Assumptions:				
Estimated discount rate	9.57%	9.57%	9.57%	9.57%
Increase rate of officer wages	3.65%	3.65%	3.65%	3.65%
Increase rate of employee wages	4.15%	4.15%	4.15%	4.15%
Increase rate of medical expenses	N/A	N/A	7.00%	N/A
Estimated yield rate	9.57%	9.57%	9.57%	9.57%

December 31, 2017

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
Net cost of the period				
Service cost	\$ 98	1	87	49
Net interest	52	-	61	11
Remeasurement recycling	130	-	76	29
	\$ 280	1	224	89
Acquired benefit obligation (ABO)	\$ 7,133	1	4,640	2,290

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
Defined benefit obligation (DBO)	(8,254)	(20)	(5,599)	(2,971)
Fair value of plan assets	7,517	13	4,623	2,923
Net (liability) asset for defined benefit	(737)	(7)	(976)	(48)
Accumulated actuarial losses pending to be recognized in OCI (stockholders' equity)	1,043	4	667	241
(Earnings) / Losses recognized in OCI (Stockholders' equity) pending to be recycled in income of the year	(306)	3	312	(193)
Accumulated actuarial losses pending to be recognized in OCI and in the statement of income	\$ 737	7	979	48
Reserve balance at the beginning of year	\$ -	(2)	(3)	-
Net cost of the period	280	2	224	89
Contributions to the fund	(280)	-	(224)	(89)
Reserve balance at end of year	\$ -	-	(3)	-

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

As of December 31, 2017, the remeasurement of liability (assets) for Net Defined Benefits determined in the actuarial valuation is detailed below:

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
DBO	\$ 8,254	20	5,599	2,971
DBO estimated	8,115	17	5,384	3,048
Actuarial (earnings)/losses in obligations	139	3	215	(77)
Fair value of plan assets	7,517	13	4,623	2,923
Estimated value of plan assets	7,443	12	4,573	2,897
(Earnings) / losses in the return of the plan assets	(74)	(1)	(50)	(26)
Remeasurement of the period to be recognized in other comprehensive income	\$ 65	2	165	(103)

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Reconciliation of the plan gains and losses as of December 31, 2017

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
Remesurement pending to be recognized in OCI Actuarial (gains) / losses in obligations at the beginning of the year	\$ 930	2	269	199
Recycling	(151)	-	(23)	(32)
Actuarial (earnings)/losses in obligations as of the end of year	779	2	246	167
(Gains) / losses in the return of plan assets at the beginning of the year	315	2	460	89
Recycling	(51)	-	(39)	(15)
(Gains) / losses in the return of plan assets at the end of the year	264	2	421	74
Total remeasurement pending to be recognized in OCI	1,043	4	667	241
Remesurement recognized in OCI				
Actuarial (earnings)/losses in obligations of the year	(281)	3	337	(184)
(Gains) / losses in the return of the plan assets	(25)	-	(25)	(9)
Remeasurement recognized in other comprehensive income	(306)	3	312	(193)
Total remeasurement				
Actuarial (gains)/losses in obligations at the end of the year	498	4	582	(17)
(Gains) / losses in the return of plan assets at the end of year	239	3	397	65
Total remeasurement	\$ 737	7	979	48

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

The Institution has accumulated actuarial losses pending to be recognized as of December 31, 2018, in other comprehensive income (OCI) of \$1,771.

	Retirement pensions	Seniority premiums	Other Post- employment benefits	PEA& interest cost of loans
Actuarial loss (differences in assumptions)	5.91 years	12.37years	11.71 years	5.91 years
Actuarial Assumptions:				
Estimated discount rate	7.90%	7.90%	7.90%	7.90%
Increase rate of officer wages	3.50%	3.50%	3.50%	3.50%
Increase rate of employee wages	4.00%	4.00%	4.00%	4.00%
Increase rate of medical expenses	N/A	N/A	6.00%	N/A
Estimated yield rate	7.90%	7.90%	7.90%	7.90%

(19) Income Tax (IT) and employee statutory profit sharing (ESPS)-

The IT Law in effect from January 1, 2014 provides a 30% rate for 2014 and thereafter.

In the income of the period (expense) income:	2018	2017
Current IT	\$ (532)	(156)
Deferred IT	695	155
Total IT in the statement of income	\$ 163	(1)

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

The tax expense (benefit) attributable to income before income tax differed from the amounts computed by applying the Mexican statutory IT rate of 30% before income tax, as a result of the items listed below:

	2018	2017
"Expected" tax expense (benefit)	\$ (36)	77
Increase (reduction) resulting from:		
Tax effect of inflation, net	(389)	(271)
Non-deductible expenses	47	36
Contributions to Fidapex	105	107
Foreign exchange gains/losses of allowance for loan losses	(6)	45
Non-deductible employee benefits	37	77
Change in the deferred tax valuation allowance	3	(101)
Other, net	76	31
Income tax (benefit) expense	\$ (163)	1

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities, at December 31, 2018 and 2017, are detailed below:

	2018	2017
Allowance for loan losses	\$ 1,988	1,218
Collected fees	230	195
Legal and deferred ESPS	(137)	(91)
Foreclosed assets	16	37
Valuation of investment securities and derivatives	(19)	4
Paid fees	(4)	(3)
Property, furniture and equipment	(95)	(88)
Employee benefits	-	2
Valuation of available-for-sale securities	1	4
	1,980	1,278
Valuation allowance	(343)	(340)
Deferred assets, net	\$ 1,637	938

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

The allowance valuation for deferred asset as of January 1, 2018 and 2017 was \$340 and \$441, respectively. The net change in the allowance for valuation for the years ended December 31, 2018 and 2017, was an increase of \$3 and a decrease \$101, respectively. In assessing the potential realization of deferred tax assets, Management considers whether it is more likely that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The accounting-tax reconciliation for the years ended December 31, 2018 and 2017 is shown below:

	2018	2017
Income before tax on earnings	\$ (116)	256
Increase (reduction) resulting from:		
Tax effect of inflation, net	(1,298)	(903)
Non-deductible expenses	157	34
Contributions to Fidapex	350	359
Non-deductible employee benefits	125	269
Allowance for loan losses, net of write-offs	2,554	468
Valuation of investment securities and derivatives	61	(42)
Prepaid collections, net	121	125
Legal and deferred ESPS	(151)	(289)
Other, net	(30)	243
IT base	1,773	520
IT rate	30%	30%
Current Income tax	\$ 532	156

Legal and deferred ESPS

The legal and deferred ESPS expense (benefit) is as follows:

	2018	2017
Income of the period:		
Legal ESPS	\$ 182	76
Deferred ESPS	(257)	(88)
	\$ (75)	(12)

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

The ESPS effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities of deferred ESPS, at December 31, 2018 and 2017, are detailed below:

Income of the period:	2018	2017
Deferred assets:		
Allowance for loan losses	\$ 663	406
Collected fees	77	65
Foreclosed assets	5	12
Paid fees	(1)	(1)
Property, furniture and equipment	(1)	(1)
Other	8	11
	751	492
Allowance for deferred assets valuation	(114)	(112)
Deferred assets, net	\$ 637	380

(20) Subordinated debt issue -

In August 2016, the Institution issued subordinated debt in the international capital markets. The hybrid instrument was contemplated in calculating the supplementary portion of the Institution's capital, which made it possible to increase its net capital index. Additionally, since the Institution's capital is expressed in pesos, the issue in US dollars provided a natural hedge for the capital index against fluctuations in the peso/DLS exchange rate.

Following are the features of the subordinated debt outstanding:

Rate	Term days	Maturity	Amount	2018	
				Interest	Total
3.80%	3,650	11/08/2026	\$ 13,756	202	13,958
Placement discount					(100)
Effect by valuation of the covered position					(260)
			\$		13,598

Rate	Term days	Maturity	Amount	2017	
				Interest	Total
3.80%	3,650	11/08/2026	\$ 13,764	202	13,966
Placement discount					(113)
Effect by valuation of the covered position					(258)
			\$		13,595

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Principal amount issued:	USD 700 million
Coupon rate:	3.80% half yearly
Yield:	4.032%
Price:	98.959
Term:	10 years
Early payment option or call	Upon fifth anniversary (11/08/2021)
Format:	144A and Regulation S
Date of issuance:	August 11, 2016
Payment of principal:	Amortization at maturity or at "call"
Demand:	8 times the amount initially offered

(21) Stockholders' equity-

a. The capital stock at December 31, 2018 and 2017 was comprised as follow:

2018				
	Number of CAP*	Nominal value	Restatement effects	Total
Subscribed:				
Series A	178,755,098	\$ 17,875	627	18,502
Series B	92,085,960	9,209	323	9,532
Subtotal	270,841,058	27,084	950	28,034
Additional Paid – in Capital increases formalized by the Institution's governing body		3,386	-	3,386
Share premium		71	10	81
Capital reserve		(547)	688	141
Prior years' income		(102)	(1,161)	(1,263)
Result from valuation of available-for-sale- securities		2	-	2
Remeasurement of employee defined benefits		493	-	493
Result from holding non- monetary assets		-	(25)	(25)
Net income		42	5	47
Total	270,841,058	\$ 30,429	467	30,896

*Certificates of capital contribution (CAP from Spanish acronym)

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

			2017	
	Number of CAP		Restatement effects	Total
Subscribed:				
Series A	153,510,098	\$	15,351	627
Series B	79,080,960		7,908	323
Subtotal	232,591,058		23,259	950
Additional Paid – in Capital increases formalized by the Institution's governing body			3,825	-
Share premium			71	10
Capital reserve			(547)	688
Prior years' income			(361)	(1,157)
Result from valuation of available for sale securities			7	-
Remeasurement for obligations related to employees' defined benefits			184	-
Result from holding non- monetary assets			-	(25)
Net income			255	-
Total	232,591,058	\$	26,693	466
				27,159

- b. The capital stock is comprised of nominative CAP's, with no coupons, and is divided into the following series:

Series "A" comprising at all times 66% of the Institution's capital stock; it may only be subscribed by the Federal Government; a sole bond will be issued, which will be non-transferable and in no case may its nature or the rights that it confers to the Federal Government be changed.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

Series "B" comprises 34% of the capital stock and it may be issued in one or several bonds of equal value. They may be subscribed by the Federal Government, the Governments of the different States and Municipalities or by Mexican individuals or business entities of the social and private sectors, preference given to parties associated to foreign trade activities. No individual or business entity may take control of the bonds for more than 5% of the capital paid to the Institution. In no case may foreign individuals or business entities hold interest in the capital stock, nor Mexican companies whose bylaws do not include a clause for direct and indirect exclusion of foreigners.

On September 25, 2017, an agreement was published in the Official Gazette that modified the Integral Regulations of the Institution, which establishes the following: The authorized capital stock is \$ 30,000, represented by 198,000,000 and 102,000,000 CAP of Series "A" and "B", respectively, with a nominal value of 100 pesos per share.

On April 19, 2018, in a session held by the Board of Directors of the Institution, it was agreed to propose to the Ministry of Finance and Public Credit to carry out the modification of the amount subscribed and paid-in capital in the amount of \$ 27,084, which is represented by 178,755,098 CAP of Series "A" with a nominal value of \$ 100.00 pesos each and 92,085,960, CAP of Series "B" with a nominal value of \$ 100.00 pesos. In fiscal year 2018 the capitalization of contributions for future capital increases was made for \$ 3,825, leaving the capital stock at \$ 28,034 as of December 31, 2018.

At december 31, 2018 The capital stock is held by the Federal Government (99.9877%), Banco de México (0.0072%), Nacional Financiera, S.N.C. (0.0028%) and Banco Nacional de Obras y Servicios, S.N.C. (0.0023%).

- c. The distribution or reduction of equity, after subtracting the restated capital stock contributed and restated tax profits, would be subject to 30% IT payable by the Institution. At December 31, 2018 and 2017, the balances of the tax accounts related to the Institution's stockholders' equity known as Capital Contributions Account (CUCA) and After-tax Earnings Account (CUFIN for it Spanish acronym) were as follows

	2018	2017
CUCA	\$ 65,248	48,542
CUFIN	8,484	7,951

DIESA had CUCA of \$705 and \$673, and CUFIN of \$356 and \$349 in 2018 and 2017, respectively.

- d. On February 23, 2018, the Board of Directors authorized the Institution's management to request a capital contribution of up to \$4,000 from the government through the SHCP, which is required to support the growth in the volume of Business Banking (First Tier) and Development Banking (Second Tier) operations, and to back up the capital base and maintain a prudential level of capitalization. A \$3,386 contribution was received on December 31, 2018.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

In 2017, the Institution requested a capital contribution of up to \$3,825 to be able to support the growth in its loan portfolio and keep a prudential level of capitalization. The contribution received on December 28, 2017.

- e. In accordance with the Credit Institutions Law, Development Banks must maintain a minimum net capital of 8.0% in relation to their assets at risk. Additionally, they must keep a capital supplement equivalent to 2.5% of those assets.

The capital ratio (unaudited) at December 2018 and 2017 is as follows:

		2018	2017
Basic	\$	29,957	26,879
Supplementary		<u>13,756</u>	<u>13,764</u>
Net capital		<u>43,713</u>	<u>40,643</u>
Assets at risk			
Loans		197,839	190,971
Market		22,719	23,585
Operational	\$	<u>12,049</u>	<u>10,267</u>
		<u>232,607</u>	<u>224,823</u>
Capitalization Index Basic (%)		12.88	11.96
Capitalization Index Net (%)		<u>18.79</u>	<u>18.08</u>

At December 31, 2018 and 2017, the Institution complies with the above requirement by maintaining a capital ratio of 18.79% and 18.08 %, respectively. Such ratio was calculated based on the rules for determining capitalization requirements published by the SHCP in the Official Gazette of December 28, 2005, and its respective amendments.

The capital ratio is reported monthly to the Comprehensive Risk Management Committee and quarterly to the Board of Directors, explaining the main differences in the captions that comprise it.

(22) Segment information -

Following is a breakdown a December 31, 2018 of the information on each of the main segments into which the Institution's operations are divided:

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

a) *Assets and liabilities -*

Business segment	Assets		Liabilities	Equity	Income		Expenses	
	Amount	% Part.	Amount	Amount	Amount	% Part.	Amount	% Part.
First tier loans	\$ 190,621	47.3	190,621	-	4,899	59.3	345	(4.1)
Second tier loans	32,814	8.2	32,814	-	891	10.8	(118)	1.4
Financial markets								
And deposit fundig	164,297	40.8	148,112	16,185	1,804	21.8	(199)	2.4
Corporate	14,711	3.7	-	14,711	672	8.1	8,247)	100.3
Total	\$ 402,443	100	371,547	30,896	8,266	100	(8,219)	100

b) *Results by segment-*

	First tier	Second tier	Financial markets and treasury	Corporate	Total
Income:					
Financial income	\$ 4,899	891	1,804	672	8,266
Expenses:					
Operating expenses	(343)	(29)	(199)	(1,661)	(2,232)
Allowance for loan losses	(2,374)	(165)	-	(62)	(2,601)
Secondary taxes*	-	-	-	(3,386)	(3,386)
Total	\$ 2,182	697	1,605	(4,437)	47

* Refers to the payment made to the Federal Executive power through the SHCP due to the authority conferred by article 10 of the current Income Law.

First tier loan operations refer to loans made directly to companies; second tier interbank loans channel resources through banking financial intermediaries and other non-banking intermediaries and financial markets, and deposit funding refers to obtaining the necessary funds to meet the Annual Financial Program authorized by the Department of Finance, cover the Institution's liquidity needs and assign transfer costs to the operating segments that require resources to carry out their operations.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

c) Loan portfolio and deposit funding-

The loan; balance at December 31, 2018 was \$275,707; \$5,018 (1.8%) corresponds to public sector loans and \$270,689 (98.2%) related to private sector operations, of which \$237,765 are for first tier loans and guarantees.

The capital used to grant loans are mainly from loans from international lending institutions and from the issue of debt securities in Mexican pesos, which are included in a pool of resources to achieve rates of interest that allows the Institution to offer competitive placement rates for its first tier and second tier loan operations.

At December 31, 2018, the funding balance arising from the issue of promissory notes payable at maturity and debt securities in Mexican pesos comprised 68.1% of the internal debt, while loans made through commercial credit lines comprised 44.4% of the external debt, and external securities outstanding comprised 46.2%.

Following is a breakdown at December 31, 2017 of the information on each of the main segments into which the Institution's operations are divided.

a) Assets and liabilities -

Business segment	Assets		Liabilities		Equity		Income		Expenses	
	Amount	% Part.	Amount	Amount	Amount	% Part.	Amount	% Part.	Amount	% Part.
First tier loans	\$ 173,835	40.6	1,986	-	3,798	53.9	(1,812)	26.6		
Second tier loans	31,454	7.3	561	-	662	9.4	(101)	1.5		
Financial markets And deposit fundig	209,447	48.8	399,094	13,095	2,155	30.5	(311)	4.6		
Corporate	14,064	3.3	-	14,064	440	6.2	(4,576)	67.3		
Total	\$ 428,800	100	401,641	27,159	7,055	100	(6,800)	100		

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

b) Results by segment-

	First tier	Second tier	Financial markets and Treasury	Corporate	Total
Income:					
Financial income	\$ 3,798	662	2,155	440	7,055
Expenses:					
Operating expenses	(579)	(68)	(311)	(1,337)	(2,295)
Allowance for loan losses	(1,233)	(33)	-	(14)	(1,280)
Secondary taxes*	-	-	-	(3,225)	(3,225)
Total	\$ 1,986	561	1,844	(4,136)	255

* Refers to the payment made to the Federal Executive power through the SHCP due to the authority conferred by article 10 of the current Income Law.

c. Loan portfolio and deposit funding

The loan balances at placement at December 31, 2017 is \$253,739; \$5,187 (2.1%) corresponds to public sector loans and \$248,552 (97.9%) related to private sector operations, of which \$217,198 are for first tier loans and guarantees.

The capital used to grant loans are mainly from loans from international lending institutions and from the issue of debt securities in Mexican pesos, which are included in a pool of resources to achieve rates of interest that allows the Institution to offer competitive placement rates for its first tier and second tier loan operations.

At December 31, 2017, the funding balance arising from the issue of promissory notes payable at maturity and debt securities in Mexican pesos comprised 65.1% of the internal debt, while loans made through commercial credit lines comprised 50.6%, and securities outstanding abroad comprised 49.4%.

(23) Income Statement-

a. Financial margin

The financial margin for the years ended on December 31, 2018 and 2017, is analyzed as in the next page.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Interest income and expenses in 2018 and 2017 are comprised as follows.

		2018	
	Mexican pesos	Foreign currency measured at Mexican pesos	Total
Financial incomes :			
Loan portfolio income (note 9)	\$ 8,690	6,352	15,042
Interest from investments in securities (note 6 and 7)	12,626	3	12,629
Interest from cash and cash equivalents	271	472	743
Income from margin accounts	502	-	502
	22,089	6,827	28,916
Less Financial expenses:			
Expenses for repurchase agreements (note 7)	10,924	-	10,924
Interest on time deposits	8,305	698	9,003
Interest on bonds	1,544	842	2,386
Interest on due to bank and other institutions	22	1,427	1,449
Interest on subordinated debentures	-	512	512
Result of valuation of DFIs	(1,917)	-	(1,917)
Other items	17	41	58
	18,895	3,520	22,415
Financial margin	\$ 3,194	3,307	6,501

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

		2017	
	Mexican pesos	Foreign currency measured at Mexican pesos	Total
Financial incomes:			
Loan portfolio income (note 9)	\$ 6,181	5,217	11,398
Interest from investments in securities (notes 6 and 7)	12,610	30	12,640
Interest from cash and cash equivalents	229	290	519
Income from margin accounts	346	-	346
Other	-	65	65
	<u>19,366</u>	<u>5,602</u>	<u>24,968</u>
Less Financial expenses:			
Expenses for repurchase agreements	11,508	-	11,508
Interest on time deposits	5,349	531	5,880
Interest on bonds	879	829	1,708
Interest on due to bank and other institutions	16	923	939
Interest on subordinated debentures	-	491	491
Result of valuation of DFIs	(1,357)	-	(1,357)
Other items	22	38	60
	<u>16,417</u>	<u>2,812</u>	<u>19,229</u>
Financial margin	\$ 2,949	2,790	5,739

b) Commission and Fees Income -

	2018	2017
Loan operations	\$ 576	470
Collateral guarantees	258	282
Trust	37	24
Letters of credit	34	36
Appraisals	4	7
Other commissions and fees collected	1	1
	\$ 910	820

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

c) Intermediation income

	2018	2017
Result for valuation of bonds	\$ 55	32
Result from purchase/sale of securities	83	5
Result from purchase/sale of currencies	(18)	(21)
Total	\$ 120	16

d) Other operating expenses, net

	2018	2017
Amounts recovered (**)	\$ 564	1,724
Cancellation of allowance for foreclosed assets	49	41
Interest collected from on loans made to employees	103	97
Gain on sale of foreclosed assets	12	16
Write-off for cancellation of foreclosed assets	(135)	(1,642)
Risk management allowance	(70)	(34)
Payment of public use taxes to the Federal Government (*)	(3,386)	(3,225)
Other items	48	16
Total	\$ (2,815)	(3,007)

* The Executive Government, acting under the authority conferred by Article 10 of the Federal Income Law in effect, issued ruling 368.-075/2018 through the SHCP on December 3, 2018 assessing on secondary taxes of \$3,386 payable by the Institution, which was applied to income before taxes. The respective payment was made on December 5, 2018. On December 14, 2017, the Institution paid secondary taxes in the amount of \$3,225 to respond to ruling 102-B-055 issued by the SHCP on December 11, 2017.

** Include write-off loans for an amount of \$463 and \$265 in 2018 and 2017, respectively,

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

(24) Guarantees granted-

At December 31, 2018 and 2017, the following guarantees were granted:

Purpose	2018	2017
Partially guarantee payment of capital of up to 33% of a debt instruments issue of no more than \$1,430, over a term of up to 5 years with principal payments on a monthly basis, in order to improve the rating assigned to debt instruments issued by the sector.	\$ 346	422
Partially guarantee payment of up to 33% of capital plus the first period of interest, of a debt instruments issue of no more than \$2,500, over a term not exceeding 10 years, in order to improve the rating assigned to this type of debt instruments.	940	940
Partially guarantee payment of up to 36% of capital plus the first period of interest, of a debt instruments issue of no more than \$500, over a maximum seven-year term, in order to improve the rating assigned to this type of debt instruments.	-	190
Guarantees issued in Mexican pesos	\$ 1,286	1,552

(25) Contingent assets and liabilities-

Contingent asset and liabilities include guarantees issued by the Institution to financial intermediaries; contingencies arising from commercial, labor, civil and administrative suits that according to Note 28 "Comprehensive risk management" are recorded depending on their status; and invoices subtracted from hedged financial factoring operations.

Assets represent recovered casualties (paid guarantees), contributions not yet made to the Fund of Funds (capital at risk), and bonds and checks received as guarantees by service vendors.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

The balances at December 31, 2018 and 2017 are as follows:

	2018	2017
Contingent liabilities:		
Responsibilities for guarantees issued	\$ 12,654	\$ 11,772
Legal risk management	979	914
International factoring (Invoices)	669	547
	\$ 14,302	\$ 13,233
Contingent assets:		
Responsibilities for future contributions	77	77
Casualties recovered (guarantees paid)	468	413
	545	490
	\$ 14,847	13,723

In 2018 and 2017, other recording accounts include: counter-guarantee funds of \$3,893 and \$3,203, and loans eliminated as per criterion B-6 "Loan Portfolio", in litigation for \$6,016 and \$6,643, respectively.

The Institution is involved in several lawsuits and claims, derived from the normal course of its operations, where it is expected that it will not have an important effect on its financial situation and future results. Likewise, in memorandum accounts these contingencies are recorded.

(26) Goods in trust or under mandate -

At December 31, 2018 and 2017, the Institution's fiduciary division had the following trusts:

	2018	2017
Guarantee trusts	\$ 28,776	29,178
Administration trusts	31,996	29,018
Transfer of ownership trusts	213	219
	60,985	58,415
Mandates	4,384	4,789
Total	\$ 65,369	63,204

Trust management income was of \$34 and \$36 in 2018 and 2017, respectively.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Administration Trust balances include pension fund trust balances, which at December 31, 2018 and 2017 were as follows:

		2018	2017
Defined benefits	\$	12,339	12,153
Defined contributions		243	251
Special savings loans and financial cost of loans		2,922	2,923
	\$	15,504	15,327

(27) Assets in custody or under administration -

At December 31, 2018 and 2017, custody and administration operations were made up as follows:

			2018		
		DLS	Euros	Mexican	
		millions	millions	pesos	Total
Operations carried out on behalf of third parties in repurchase agreements	\$	-	-	6,075	6,075
Other securities under Administration *		796,644	2,678	345,934	1,145,256
Other securities under administration		5	-	-	5
Special savings loan		-	-	1,068	1,168
	\$	796,649	2,678	353,177	1,152,504

			2017		
		DLS	Euros	Mexican	
		millions	millions	pesos	Total
Operations carried out on behalf of third parties in repurchase agreements	\$	-	-	2,401	2,401
Operations carried out on behalf of third parties in direct operations		-	-	4,728	4,728
Other instruments under Administration *		800,612	197	293,618	1,094,427
Other securities under administration		8	-	-	8
Special savings loan		-	-	1,060	1,060
	\$	800,620	197	301,807	1,102,624

*Refers to book entries made for securities supporting the Institution's loan portfolio.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

(28) Comprehensive risk management (unaudited)-

a. General policies

The Institution's Comprehensive Risk Management is audited in accordance with Article 76 (Annual) and 77 (Biannual) of the CNBV Criteria, by an external firm according to the periodicity provided by the own criterion. The results are submitted to the Audit Committee, the Comprehensive Risk Management Committee and the Board of Directors, and delivered to the CNBV.

Results for 2017 provide that the Institution reasonably complies with the current regulations and the best market practices.

The policies and practices for Comprehensive Risk Management (CRM) matters are primarily regulated by Chapter IV of the Second Title of the General Regulations Applicable to Financial Institutions (Regulations), regarding the CRM, published on December 2, 2005.

In accordance with the CNBV Regulations, the CRM function of the Institution is performed by an area independent from the business areas and includes the market, credit, liquidity, operating, technological and legal, strategic, business and reputation risks. The Institution has policies and procedures oriented to the risk identification, analysis and control, which are included in the CRM Manual.

In order that the risks assumed are within the levels that do not exceed the Institution's financial ability, the Committee for Comprehensive Risk Management (CCRM) proposes limits authorized by the Board of Directors, determined in accordance with a capital management model. Such model is in accordance with the regulatory capital and provides strategic limits considering a distributable capital assigned to the various businesses of the Institution: credit, market, operating and shareholding.

Moreover, strategic limits are assigned to the various portfolios that comprise each business. In case of market risk, the capital limits are translated into Value at Risk (VaR) limits for the various portfolios of the treasury.

The CCRM is constituted by the Director General, three independent risk experts, a member of the Board of Directors and the Head of the Unit for Comprehensive Risk Management (UCRM); in addition, the Assistant Director Generals of the business areas, the Directors of the Area and the responsible for the Internal Control Unit with the right to attend but not to vote the Committee's meetings are involved, in order to avoid potential conflicts of interest.

The CCRM meets at least once a month. Such Committee supervises the different types of risks, makes recommendations and is responsible for approving the methodologies, models, parameters and scenarios used in risk measurement, and reviewing the policies proposed for control thereof.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

b. Policies for control of the credit portfolio concentration

The Regulations, in Chapter III, regarding "Risk Diversification", issued by the CNBV, provide limits to the credit risk concentration applicable to a person or group of people that constitutes common risks.

According to Article 57 of the Regulations, the limits applicable to the Institution in the fourth quarter 2018 were determined considering the 11.89% capitalization ratio and the basic capital of \$27,168.1 for June 2018.

Article 54 of the Regulations provides a financing limit for private entities, based on the capitalization level and applying a predetermined factor on the Institution's core capital. With a capitalization index higher than 10% and lower than 12%, the factor applicable in the fourth quarter 2018 was 25% of the Institution's core capital (\$6,792.0, equivalent to DLS 345.6 million at the exchange rate of \$19.6512 pesos per dollar on December 31, 2018).

As of December 31, 2018, financing granted to private entities, either individually or by economic group, is below the regulatory limit of 25% of the core capital and the responsibilities for the three major debtors, as a whole, amounts to \$13,143, representing 48.4% of the regulatory limit (equivalent to DLS 668.82 million at the exchange rate of \$19.6512 on December 31, 2018).

Financing to the three major debtors as a whole:

Millions of DLS	December 2018	December 2017
Amount of responsibilities	668.82	684.83
Number of times the applicable core capital	0.48	0.57

Financing granted to entities and bodies of the public sector is below the regulatory limit of 100% of the core capital as of December 31, 2018.

Finally, in accordance with article 60 of The Regulations, it is disclosed that there are responsibilities by 40 economic groups of debtors (83 counterparties), whose individual financing is greater than 10% of the Institution's core capital.

Debtor financing that is greater than 10% of the core capital:

Millions of DLS	December 2018	December 2017
Amount of responsibilities	9,294.61	9,030.21
Number of times the applicable core capital	6.72	7.33

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

The amount of responsibilities includes the lines authorized to national financial institutions for discount transactions, which have executed an agreement. In addition, it includes the lines authorized under the "General Banking Methodology for the Global Credit Line Establishment" of the Institution to enter into promotion, market and derivative transactions with national and foreign institutions that have a current position as of the date.

c. Market risk

Investment securities. Regarding the referenced account of the consolidated financial statements, the market risk arises from interest rate movements. In case of foreign currency instruments, it additionally depends on the exchange rate variations. This risk is measured using the VaR methodology, based on the historical method, taking 251 data, a one-day risk horizon and 97.5% reliable level, which only implies 2.5% of likelihood that these investments experience a shortfall greater than the one estimated for such period. These parameters were authorized by the CCRM in the meeting held on October 15, 2018.

The policies and practices applied for control of market risk of investment securities include capital and VaR limits, as well as reporting of position market value and value of risk in regular conditions, under sensitivity scenarios and extreme conditions. On a daily basis, a report is prepared and delivered to the Top Management; on a monthly basis to the CCRM, and on a quarterly basis to the Board of Directors.

As of December 31, 2018, the securities position of the money desk securities in national currency was in floating-rate governmental instruments. As of that date, these instruments' positions represented 1.9% and 95.2%, respectively, and the repurchase position constituted 3.8% of the total; the VaR of such money desk was \$6.3, a figure that represented 14.1% of the authorized limit of \$45. The annual value at risk average was \$14.3. The capital consumption of this portfolio was \$534.8, which represented 75% of the authorized limit.

As of December 31, 2018, the national currency investment portfolio consists of held-to-maturity securities in governmental instruments, at real rate, and floating-rate governmental instruments. As of that date, the position in held-to-maturity instruments represented 1.9% and governmental instruments represented 98.1%. As of the end of December, a VaR of \$1.2 was recorded for the total position, which represented 15% of the authorized limit of \$6. The annual value at risk average was \$1.3. The capital consumption of this portfolio was \$23.5, which represented 25% of the authorized limit.

As of December 31, 2018, the foreign currency investment portfolio did not present any position.

Derivatives- The referenced account of the consolidated financial statements is subject to market risk, arising from the interest rate and exchange rate variations, as well as to counterparty's credit risk.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

From the derivatives authorized, the VaR of currency and interest rate forwards, options and interest rate and currency swaps is measured. This VaR is measured using the historical method, taking 251 data, a one-day risk horizon and 97.5% reliance level, which only implies 2.5% of likelihood that these investments experience a shortfall greater than the one estimated for such period. These parameters were authorized by the CCRM in the meeting held on October 15, 2018.

Regarding the credit risk (counterparty), the forwards, options and swaps are operated with national and international high-quality financial institutions. The credit risk of forwards and options with customers is hedged by their lines of credit with the Institution, as well as control mechanisms that allow to monitor the positions to hold them within the authorized levels. As of December 31, 2018, the credit risk of derivative transactions is within the authorized limits.

The policies and practices for controlling the risk of derivatives are in accordance with Banxico's Regulations. A capital and VaR limit has been established by business line, and reports are prepared on the market value of the positions and their VaR in regular conditions, under scenarios of sensitivity and extreme conditions. On a daily basis, a report is prepared and delivered to the Top Management; on a monthly basis to the CCRM, and on a quarterly basis to the Board of Directors.

As of December 31, 2018, as for business derivatives, there are closed positions of interest rate options and a swap portfolio. The VaR amounted to \$0.9, equivalent to 0.9% of the authorized limit of \$20; the annual VaR average of derivatives was \$0.8. The capital consumption of this portfolio was \$0.43, which represented 0.1% of the authorized limit.

As of December 31, 2018, the hedge position derivatives refer to interest rate and currency swaps, which are used as hedge for primarily a part of the credit portfolio, debt instruments, issuance of paper national currency and dollar deposits. The VaR of swaps amounted to \$481.1, which is on a referential basis, as these transactions are not associated to a VaR limit, because they are hedge derivatives.

As of December 31, 2018, there is a long position in DLS currencies; 4.5 million equivalent to \$88.5. The VaR amounted to \$1.0, equivalent to 9.4% of the authorized limit of \$11; the annual VaR average was \$1.1. The capital consumption of this portfolio was \$0.11, which represented 0.0% of the authorized limit.

Credit risk

Regarding the referenced account of the consolidated financial statements, credit risk is measured by the expected losses arising from the potential impairment of the loan portfolio estimated from the calculation of annual and quarterly rating migration frequencies (transition matrices). Such matrices are constituted by impairment or improvement probabilities of the credit portfolio, which are obtained from historical information from companies authorized by the Institution.

Consequently, in assessing the credit risk, estimates are made about the noncompliance likelihoods, recoverability rates, transition matrices, credit VaR, expected losses and unexpected losses.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

A report of the Institution's credit operations and position is submitted monthly to the CCRM and quarterly to the Board of Directors including, among other matters, an analysis of the loan portfolio taxonomy, relevant information of the portfolio movements, global credit risk position and inclusion by portfolio, past due loan portfolio, risk concentrations, portfolio diversification and primary risk indicators, as well as allowances for loan VaR and expected and unexpected losses.

As of December 31, 2018, the descriptive statistic of the private portfolio credit risk shows the following distribution by number of borrowers, regarding the average risk level.

Distribution of Private Sector Portfolio at December 31, 2018:

Number of counterparties	Balance	Str. (%)	Accumulated balance	Str. (%)	Expected Loss (EL)	EL / Balance (%)	Risk level (average)
1 - 5	18,849	9.6	18,849	9.6	85	0.4	R1
6 - 10	16,305	8.3	35,154	17.9	55	0.3	R1
11 - 15	14,300	7.3	49,454	25.2	56	0.4	R1
16 - 20	12,006	6.1	61,460	31.3	2,438	20.3	R6
21 - 25	10,527	5.4	71,987	36.7	143	1.4	R3
26 - 30	8,474	4.3	80,461	41.0	18	0.2	R1
31 - 347	115,589	59.0	196,050	100.0	3,479	3.0	R4
Total	196,050	100.0			6,274	3.2	R4

As of that date, the annual VaR (without considering the expected recovery from guarantees) of the private sector portfolio was \$6,387.1, a figure that represents the extreme value of the loss and gains distribution due to the potential impairment of the portfolio with 99% reliance level and annual period horizon.

Regarding the basic capital as of December 31, 2018, which is \$29,956.7, the annual VaR represents 21.32%.

The allowance for expected loss due to the private sector portfolio impairment was \$6,273.6, using the portfolio risk levels in accordance with the Institution's risk indicator methodology.

Additionally, the referred report presents the structure of strategic capital limits, and the marginal behavior of the qualified portfolio, the credit concentration by economic sector, geographic area, recognized entities and levels of responsibilities.

In the meeting held on April 19, 2018, the Board of Directors approved a new strategic capital limit for the credit portfolio, which was in the amount of \$18,414, which represents 84.03% of the distributable capital (\$21,913.0).

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos, except when indicated different)

Liquidity risk

The cash flow risk of credit transactions and their respective financing is measured by the risk factor: rate base and overrate. The CCRM is reported on a monthly basis the structure of repricing and maturity gaps, with a sensitivity analysis that measures the effect of adverse movements in the interest rate on the financial margin; furthermore, the diversification level of the financing sources is estimated.

According to the repricing and maturity structure of productive assets and liabilities of the current general consolidated balance sheet as of December 2018, in case of an adverse variation of 25 basis points in interest (rate base and overrate), net income will reduce by 15.5 thousand USD on average per day (about approximately 0.86% of the daily financing margin).

Non-discretionary quantifiable risks

The management of non-discretionary risk aims to identify, measure, oversee, limit, control and inform of operational, technological and legal risks associated with the Institution's critical processes, which allow for pinpointing concentration levels in such processes, their operating efficiency as well as an estimate of the resulting economic impact.

With a view to identify quantifiable risks and determine their average exposure value by type of event and line of business, below are the results for the period from January to December 2018.

Type of event	No. of events	Frequency		Severity	
		% Total	Losses	% Total	Unit
Process execution, delivery and management	84	89	\$24.9	93	\$ 0.3
External events	3	3	1.0	4	0.3
Business incidences and system failures	6	6	0.9	3	0.2
Customers, products and business practices	1	1	-	-	-
External fraud	1	1	-	-	-
Internal fraud	-	-	-	-	-
Labor relations and workplace safety	-	-	-	-	-
Total	95	100.0	\$26.8	100	0.3

According to the matrix by type of event, execution, delivery and management concentrates 93% of frequency and 93% of severity.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

Line of business	No. of events	Frequency		Severity	
		% Total	Losses	% Total	Unit
Commercial banking	45	47	\$6.5	24	\$ 0.1
Trading and sales	33	35	19.3	72	0.6
Payment and settlement	17	18	0.9	4	0.1
Asset management	-	-	-	-	-
Retail banking	-	-	-	-	-
Corporate finance	-	-	-	-	-
Retail intermediation/retail brokerage transactions	-	-	-	-	-
Agency services	-	-	-	-	-
Total	95	100.0	\$26.7	100	0.3

As for the matrix by line of business, commercial banking concentrates 47% of the frequency and 24% of the severity while trading and sales account for 35% of frequency and 72% of the severity.

The average exposure value of cumulative events at December 31, 2018 is \$0.3.

Operational risk

The risk is subject to qualitative and quantitative analysis and to regulatory compliance:

Qualitative analysis – Made by applying self-assessments to selected critical processes and issuing an operational risk technical report. 5 types of risks were identified for the Institution's substantive processes, which rating is below the tolerance level (5).

Quantitative analysis – Losses arise from the accounts defined for the recording of events by operational risk. The operational risk reserve authorized in 2018 amounts to \$29.0, i.e., the tolerance level for controlling event exposure by operational risk. At the December 2018 year end, the reserve was set at \$29.0 and consumption is \$18.3.

Regulatory compliance – The Institution resorts to the basic indicator method for estimating its operational risk capital requirements in accordance with capitalization rules for credit institutions. At the end of December 2018, the total capital requirement for operational risk totaled \$964.

Technological risk

Technological risk is measured and controlled by monitoring six critical indicators: 1) level of availability of critical services; 2) access security to the Institution's network; 3) detection, blocking and locks against viruses in the Institution's network; 4.a) detection and blocking of access to restricted websites.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

(Millions of Mexican pesos)

4.b) detection and blocking of emails using AntiSPAM; 4.c) detection and blocking of SpyWare, and 5) testing of the Disaster Recovery Plan (DRP).

Additionally, the technological risk is assessed by means of an indicator that considers the level of criticality of applications and the likelihood of incident occurrence. Also, the Business Continuity Plans (BCP) are implemented for processes deemed critical under the Management System for the Business Continuity Plan (SG-PCN). At December 31, 2018, the indicators show that, overall, the goals defined for each indicator were met.

Legal risk

Policies are implemented for identifying, measuring and recording provisions and/or contingencies for potential losses arising from unfavorable resolutions in a judicial process resulting from litigation where the Institution is either the plaintiff or the defendant, for the purpose of mitigating the impact on the Institution's net worth.

With the implementation of such policy, at December 2018 the reserves created for legal risks amounted to \$844, comprised as follows: \$732 for commercial actions, \$35 for labor actions, \$29 for attorney fees and expenses, including administrative expenses, \$21 for civil actions, and \$27 for the "others".

Furthermore, according to such policies, memoranda accounts are used for recording contingencies resulting from commercial, labor, civil and administrative actions which, considering their procedural status, management expects to be resolved favorably for the Institution.

Non-quantifiable risks

Non-quantifiable risks are risks arising from unforeseen external claims or events that may not be associated with a likelihood of occurrence and that in addition, the resulting economic losses may be transferred to risk-taking external entities.

With reference to the last quarter of 2018, no claims were reported that affected the Institution's net capital.

(Continued)

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary**

Notes to consolidated financial statements

December 31, 2018 and 2017

(Millions of Mexican pesos)

(29) Recently issued financial reporting standards-

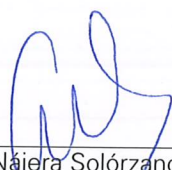
Amendments in the Commission provisions

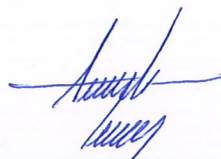
On January 4, 2018, the Commission published in the Federal Official Gazette a resolution that amends the Provisions, regarding criterion A-2 "Application of particular standards", where such amendment addresses the incorporation of FRS B-17 "Determination of fair value", C-3 "Accounts receivable", C-9 "Provisions, contingencies and commitments", C-16 "Impairment of financial instruments receivable", C-19 "Financial instruments payable", C-20 "Financial instruments receivable, principal and interest", D-1 "Revenue from contracts with customers", D-2 "Costs from contracts with customers" and D-5 Leases" issued by the CINIF. Such amendments shall be effective as of January 1, 2020 in accordance with the resolution published on November 15, 2018, which reforms the single transitory article of resolutions published on January 4, 2018.

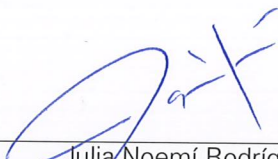
The Institution is still in the process of estimating the effects these FRS shall have on the financial information.

Improvement of 2019 FRS

In December 2018, the Mexican Board of Financial Reporting Standards (*Consejo Mexicano de Normas de Información Financiera, A. C.* or CINIF) issued a document called "Improvement of 2019 FRS", which includes specific amendments to existing FRS. Improvements to FRS do not result in accounting changes in the financial statements.



Eugenio Najera Solórzano
Chief Executive Officer
(Effective as of December 16, 2018)

Armando Hernández Torres
Chief Financial Officer

Julia Noemí Rodríguez Kú
In charge of the Deputy General Direction
of Internal Audit