

**SCOTIA FONDOS, S. A. DE C. V.**  
Sociedad Operadora de Fondos de Inversión  
(Formerly Sociedad Operadora de Sociedades de Inversión)  
Grupo Financiero Scotiabank Inverlat

Financial Statements

December 31, 2015 and 2014

(With Statutory and Independent Auditors'  
Reports Thereon)

(Free Translation from Spanish Language Original)

**Jorge E. Peña Tapia**  
Contador Público

**Statutory Auditor Report**  
(Free Translation from Spanish Language Original)

The Stockholders  
Scotia Fondos, S. A. de C. V.,  
Sociedad Operadora de Fondos de Inversión,  
(Formerly Sociedad Operadora de Sociedades de Inversión)  
Grupo Financiero Scotiabank Inverlat:

In my capacity as Statutory Auditor of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Scotiabank Inverlat (“the Management Company”), I hereby submit my report on the reliability, fairness and sufficiency of the financial information furnished to you by the Board of Directors for the year ended December 31, 2015.

I have attended the stockholders’ and board of directors’ meetings to which I have been summoned, and I have obtained from the directors and management such information on the operations, documentation and accounting records as I considered necessary in the circumstances.

In my opinion, the accounting and reporting criteria and policies followed by the Management Company and considered by Management in preparing the financial statements presented at this meeting, are adequate and sufficient, and were applied on a basis consistent with that of the preceding year. Therefore, such financial information is a fair, sufficient and reasonable representation of the financial position and investment portfolio valuation of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Scotiabank Inverlat as of December 31, 2015, and its results of its operation and cash flows, for the year then ended, in conformity with the accounting criteria issued by the National Banking and Securities Commission (the Commission) for fund management companies in Mexico.

*Emphasis of Matter*

Without qualifying my opinion, I draw attention to the following:

As mentioned in note 1 to the financial statements, on January 1, 2015, the Mutual Funds Law (formerly Law for Fund Management Companies) entered into force. The main changes of this Law consist that investment entities, in general, must be transformed into mutual funds and must have only one Founding Partner. Also, the Mutual Funds will not have Stockholders’ Board, Board of Directors or Statutory Auditor, therefore such functions will be conferred on the Founding Partner and the Fund Management Company as well as members of the Board of Directors of the Fund Management Company; in this case, the Management Company will act as Founding Partner and Mutual Fund Management Company. Derived from the aforementioned, at the July 8, 2014 Extraordinary General Stockholders’ Meeting, amendments to the bylaws of the Management Company were approved, which were authorized by the Commission through Official Letter 312-2/13658/2015 dated February 9, 2015. Such amended bylaws were certified by Notary Public on March 25, 2015, thus beginning such date the Management Company’ legal name shall contain the expression “Sociedad Operadora de Fondos de Inversión” and act as such.

Sincerely,

**SIGNATURE**

Jorge E. Peña Tapia  
Statutory Auditor  
Mexico City, February 22, 2016.



**KPMG Cárdenas Dosal**  
Manuel Avila Camacho 176  
Col. Reforma Social  
11650 México, D.F.

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## **Independent Auditors' Report** (Free Translation from Spanish Language Original)

The Board of Directors and Stockholders  
Scotia Fondos, S. A. de C. V.,  
Sociedad Operadora de Fondos de Inversión,  
(Formerly Sociedad Operadora de Sociedades de Inversión)  
Grupo Financiero Scotiabank Inverlat:

We have audited the accompanying financial statements of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Scotiabank Inverlat (“the Management Company”), that comprise the balance sheets including statements of investment portfolio valuation as of December 31, 2015 and 2014, and the statements of income, changes in stockholders’ equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management’s responsibility for the financial statements*

Management is responsible for the preparation and presentation of the accompanying financial statements, in conformity with the accounting criteria established by the National Banking and Securities Commission (“the Commission”) for management fund companies in Mexico, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors’ responsibility*

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

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

(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Scotiabank Inverlat for the years ended December 31, 2015 and 2014, have been prepared, in all material respects, in conformity with the accounting criteria established by the Commission for fund management companies in Mexico.

*Emphasis of Matter*

Without qualifying our opinion, I draw attention to the following:

As mentioned in note 1 to the financial statements, on January 1, 2015, the Mutual Funds Law (formerly Law for Fund Management Companies) entered into force. The main changes of this Law consist that investment entities, in general, must be transformed into mutual funds and must have only one Founding Partner. Also, the Mutual Funds will not have Stockholders' Board, Board of Directors or Statutory Auditor, therefore such functions will be conferred on the Founding Partner and the Fund Management Company as well as members of the Board of Directors of the Fund Management Company; in this case, the Management Company will act as Founding Partner and Mutual Fund Management Company. Derived from the aforementioned, at the July 8, 2014 Extraordinary General Stockholders' Meeting, amendments to the bylaws of the Management Company were approved, which were authorized by the Commission through Official Letter 312-2/13658/2015 dated February 9, 2015. Such amended bylaws were certified by Notary Public on March 25, 2015, thus beginning such date the Management Company' legal name shall contain the expression "Sociedad Operadora de Fondos de Inversión" and act as such.

KPMG CARDENAS DOSAL, S. C.

**SIGNATURE**

Mauricio Villanueva Cruz

February 22, 2016.

**SCOTIA FONDOS, S. A. DE C. V.**  
 Sociedad Operadora de Fondos de Inversión  
 (Formerly Sociedad Operadora de Sociedades de Inversión)  
 Grupo Financiero Scotiabank Inverlat

Balance Sheets

December 31, 2015 and 2014

(Thousands of Mexican pesos)

<u>Assets</u>	<u>2015</u>	<u>2014</u>	<u>Liabilities and Stockholders' Equity</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 444	14	Accounts payable:		
Investment securities (notes 4 and 10):			Income tax payable	\$ 5,157	19,589
Trading	<u>181,380</u>	<u>218,012</u>	Sundry creditors and other accounts payable	<u>87,429</u>	<u>80,445</u>
Accounts receivable (note 5)	<u>105,063</u>	<u>108,677</u>	Total liabilities	<u>92,586</u>	<u>100,034</u>
Permanent investments (notes 1 and 6)	<u>48,999</u>	<u>11,434</u>	Stockholders' equity (note 8):		
Deferred taxes, net (note 9)	<u>1,679</u>	<u>666</u>	Paid-in capital:		
Other assets:			Capital stock	<u>2,586</u>	<u>2,586</u>
Deferred charges, prepaid expenses and intangibles	9	13	Earned capital:		
Other short and long term assets (note 7)	<u>21</u>	<u>16</u>	Statutory reserves	517	517
	<u>30</u>	<u>29</u>	Retained earnings	39,342	29,968
			Net income	<u>202,564</u>	<u>205,727</u>
				<u>242,423</u>	<u>236,212</u>
			Total stockholders' equity	<u>245,009</u>	<u>238,798</u>
Total assets	\$ <u>337,595</u>	<u>338,832</u>	Total liabilities and stockholders' equity	\$ <u>337,595</u>	<u>338,832</u>

Memorandum accounts

	<u>2015</u>	<u>2014</u>
Other accounts	\$ 6,122	5,992
Assets in custody or administration (note 11)	<u>179,904,340</u>	<u>160,241,466</u>

See accompanying notes to financial statements.

"These balance sheets were prepared in accordance with the accounting criteria applicable to the company, issued by the National Banking and Securities Commission, based on Article 76 of the Law for Fund Management Companies, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the transactions carried out by the company through the dates indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These balance sheets were approved by the Board of Directors under the responsibility of the following officers."

"These balance sheets faithfully match with the balance sheets originals, which are properly signed and held by the Management Company"

"As of December 31, 2015 and 2014, the minimum fixed and variable historical capital stock amount to \$1,000 and \$1,000, respectively".

SIGNATURE

Ernesto Díez Sánchez  
 General Director

SIGNATURE

H. Valerio Bustos Quiroz  
 Director of Group Accounting

**SCOTIA FONDOS, S. A. DE C. V.**  
Sociedad Operadora de Fondos de Inversión  
(Formerly Sociedad Operadora de Sociedades de Inversión)  
Grupo Financiero Scotiabank Inverlat

Statements of Investment Portfolio Valuation

December 31, 2015 and 2014

(Thousands of Mexican pesos, except otherwise is indicated)

	<u>Issuer</u>	<u>Series</u>	<u>Type of security</u>	<u>Valuation rate</u>	<u>Rating or marketability</u>	<u>Number of traded securities</u>	<u>Number of settled securities</u>	<u>Total securities of the issuance</u>	<u>Average unit acquisition cost (in pesos)</u>	<u>Total acquisition cost</u>	<u>Fair or accounting value per share (in pesos)</u>	<u>Total fair or accounting value</u>	<u>Days to maturity</u>	
<b>December 31, 2015</b>														
<b>% Trading securities:</b>														
<b>Investment in net equity instruments</b>														
<b>Investment funds investing in debt securities</b>														
100.00	Scotia Gubernamental, S. A. de C. V., F11D	SCOTIAG	C1	51	-	AAA/2	58,781,510	58,781,510	58,781,510	3.083135	\$ 181,231	3.085668	\$ 181,380	*
<b>% Permanent investments:</b>														
<b>Investment funds investing in debt securities</b>														
0.11	Findel, S. A. de C. V., F11D	FINDEI	A	51	-	AAA/3	1,000,000	1,000,000	882,474,599	2.438698	\$ 2,439	2.438698	\$ 2,439	*
0.01	Scotia Inversiones, S. A. de C. V., F11D	SBANKCP	A	51	-	AAA/3	250,000	250,000	3,613,215,946	6.458115	1,615	6.458115	1,615	*
0.08	Scotia Solución 5, S. A. de C. V., F11D	SBANKDL	A	51	-	AAA/5	1,000,000	1,000,000	1,280,799,024	1.000000	1,000	1.000000	1,000	*
0.10	Fondo de Fondos Scotiabank de Mediano Plazo, S. A. de C. V., F11D	SBANKMP	A	51	-	AAA/4	1,000,000	1,000,000	1,015,835,341	0.994589	995	0.994589	995	*
0.03	Scotia Real, S. A. de C. V., F11D	SCOT-TR	A	51	-	AAA/5	1,000,000	1,000,000	3,923,420,066	1.000966	1,001	1.000966	1,001	*
0.19	Scotia Solución 8, S. A. de C. V., F11D	SCOTGMP	A	51	-	AAA/3	1,000,000	1,000,000	534,366,502	2.101069	2,101	2.101069	2,101	*
0.04	Scotia Productivo, S. A. de C. V., F11D	SCOTI10	A	51	-	AA/5	1,000,000	1,000,000	2,319,727,430	1.411992	1,412	1.411992	1,412	*
0.01	Scotia Disponibilidad, S. A. de C. V., F11D	SCOTIA1	A	51	-	AAA/3	1,000,021	1,000,021	8,309,581,012	1.619055	1,619	1.619055	1,619	*
0.08	Scotia Rendimiento, S. A. de C. V., F11D	SCOTIA2	A	51	-	AAA/4	1,000,003	1,000,003	1,295,707,635	1.286423	1,286	1.286423	1,286	*
0.01	Scotia Gubernamental, S. A. de C. V., F11D	SCOTIAG	A	51	-	AAA/2	1,000,007	1,000,007	6,699,338,391	2.820140	2,820	2.820140	2,820	*
0.04	Scotia Previsional de Liquidez Restrígida, S. A. de C. V., F11D	SCOTILP	A	51	-	AAA/5	1,000,014	1,000,014	2,398,919,117	1.390917	1,391	1.390917	1,391	*
0.10	Scotia Plus, S. A. de C. V., F11D	SCOTIMB	A	51	-	AAA/6	1,000,000	1,000,000	1,002,945,198	1.686468	1,686	1.686468	1,686	*
0.11	Scotia Gubernamental Plus, S. A. de C. V., F11D	SCOTLPG	A	51	-	AAA/6	1,000,000	1,000,000	921,651,897	1.000000	1,000	1.000000	1,000	*
0.19	Scotia Solución 4, S. A. de C. V., F11D	SCOTUDI	A	51	-	AAA/7	1,000,000	1,000,000	525,218,109	1.030918	1,031	1.030918	1,031	*
										<u>21.396</u>		<u>21.396</u>		
<b>Investment funds investing in equities</b>														
25.20	Scotia Solución 6, S. A. de C. V., F1R V	DYNUSA+	A	52	-	-	1,000,000	1,000,000	3,968,881	1.000000	1,000	0.966929	966	*
0.72	Scotia Patrimonial Plus, S. A. de C. V., F1R V	SBANK50	A	52	-	-	1,000,013	1,000,013	138,981,127	2.234718	2,235	2.234718	2,235	*
0.10	Scotia Cartera Modelo, S. A. de C. V., F1R V	SCOT-CM	A	52	-	-	1,000,000	1,000,000	1,011,532,047	1.000000	1,000	1.000000	1,000	*
0.30	Scotia Solución 2, S. A. de C. V., F1R V	SCOT-FR	A	52	-	-	1,000,000	1,000,000	334,522,888	1.047596	1,048	1.047596	1,048	*
0.60	Scotia Progresivo, S. A. de C. V., F1R V	SCOT-FX	A	52	-	-	62,501	62,501	10,411,604	18.571864	1,161	18.571864	1,161	*
0.21	Scotia Patrimonial, S. A. de C. V., F1R V	SCOT-RV	A	52	-	-	729,928	729,928	354,744,440	2.886791	2,107	2.886791	2,107	*
0.14	Scotia Inversiones Plus, S. A. de C. V., F1R V	SCOTDOL	A	52	-	-	980,393	980,393	679,109,022	1.600275	1,569	1.600275	1,569	*
2.09	Scotia Diversificado, S. A. de C. V., F1R V	SCOTEME	A	52	-	-	80,646	80,646	3,857,338	14.350292	1,157	14.350292	1,157	*
0.05	Scotia Solución 3, S. A. de C. V., F1R V	SCOTEUR	A	52	-	-	1,000,000	1,000,000	1,847,662,283	1.000000	1,000	1.000000	1,000	*
0.16	Scotia Global, S. A. de C. V., F1R V	SCOTGLO	A	52	-	-	1,000,000	1,000,000	608,086,951	1.000001	1,000	1.000001	1,000	*
0.60	Scotia Estratégico, S. A. de C. V., F1R V	SCOTI12	A	52	-	-	1,000,000	1,000,000	165,883,453	1.525722	1,526	1.525722	1,526	*
0.14	Scotia Crecimiento, S. A. de C. V., F1R V	SCOTI14	A	52	-	-	1,000,000	1,000,000	703,542,392	1.781064	1,781	1.781064	1,781	*
0.29	Scotia Indizado, S. A. de C. V., F1R V	SCOTIPC	A	52	-	-	1,000,000	1,000,000	339,840,694	7.418162	7,418	7.418162	7,418	*
0.10	Scotia Dinámico, S. A. de C. V., F1R V	SCOTQNT	A	52	-	-	1,000,000	1,000,000	1,015,462,172	1.044286	1,044	1.044286	1,044	*
0.10	Scotia Internacional, S. A. de C. V., F1R V	SCOTUSA	A	52	-	-	370,371	370,371	373,077,203	6.995951	2,591	6.995951	2,591	*
										<u>27.637</u>		<u>27.603</u>		
Totals:										\$ <u>49,033</u>		\$ <u>48,999</u>		

(Continued)

**SCOTIA FONDOS, S. A. DE C. V.**  
Sociedad Operadora de Fondos de Inversión  
(Formerly Sociedad Operadora de Sociedades de Inversión)  
Grupo Financiero Scotiabank Inverlat

Statements of Investment Portfolio Valuation, continued

December 31, 2015 and 2014

(Thousands of Mexican pesos, except otherwise is indicated)

	Issuer	Series	Type of security	Valuation rate	Rating or marketability	Number of traded securities	Number of settled securities	Total securities of the issuance	Average unit acquisition cost (in pesos)	Total acquisition cost	Fair or accounting value per share (in pesos)	Total fair or accounting value	Days to maturity	
<b>December 31, 2014</b>														
% <b>Trading securities:</b>														
<b>Investment in net equity instruments</b>														
<b>Investment funds investing in debt securities</b>														
1.05	Scotia Gubernamental, S. A. de C. V., F11D	SCOTIAG	C1	51	-	AAA/2	73,386,135	73,386,135	6,991,634,653	3.003350 \$	220,404	2,970,749 \$	218,012	*
% <b>Permanent investments:</b>														
<b>Investment funds investing in debt securities</b>														
0.11	Fondo de Fondos Scotiabank de Mediano Plazo, S. A. de C. V., F11D	SBANKMP	A	51	-	AAA/4	999,999	999,999	942,552,124	0.994589 \$	994	0.994589 \$	994	*
0.09	Scotia Gubernamental Plus, S. A. de C. V., F11D	SCOTLPG	A	51	-	AAA/7	999,999	999,999	1,078,300,772	1.000000	1,000	1.000000	1,000	*
99.99	Scotia Solución 4, S. A. de C. V., F11D	SCOTUDI	A	51	-	AA/3	999,999	999,999	1,000,000	1.000000	1,000	1.029012	1,029	*
0.04	Scotia Real, S. A. de C. V., F11D	SCOT-TR	A	51	-	AAA/5	999,999	999,999	2,299,957,702	1.000966	1,001	1.000966	1,001	*
											3,995	4,024		
<b>Investment funds investing in equities</b>														
0.08	Scotia Cartera Modelo, S. A. de C. V., F1R V	SCOT-CM	A	52	-	-	999,999	999,999	1,317,626,438	1.000000	1,000	1.000000	1,000	*
0.68	Scotia Progresivo, S. A. de C. V., F1R V	SCOT-FX	A	52	-	-	62,500	62,500	9,195,569	18.571815	1,161	18.571815	1,161	*
1.89	Scotia Diversificado, S. A. de C. V., F1R V	SCOTEME	A	52	-	-	80,645	80,645	4,269,185	14.350296	1,157	14.350296	1,157	*
0.23	Scotia Global, S. A. de C. V., F1R V	SCOTGLO	A	52	-	-	999,999	999,999	435,317,709	1.000000	1,000	1.000000	1,000	*
3.15	Scotia Dinámico, S. A. de C. V., F1R V	SCOTQNT	A	52	-	-	999,999	999,999	31,753,080	1.044286	1,044	1.044286	1,044	*
0.43	Scotia Solución 2, S. A. de C. V., F1R V	SCOT-FR	A	52	-	-	999,999	999,999	232,188,772	1.047596	1,048	1.047596	1,048	*
0.24	Scotia Solución 3, S. A. de C. V., F1R V	SCOTEUR	A	52	-	-	999,999	999,999	422,207,940	1.000000	1,000	1.000000	1,000	*
											7,410	7,410		
Totals:										\$	11,405	\$	11,434	

\* Without maturity

See accompanying notes to financial statements.

"These statements of investment portfolio valuation were prepared in accordance with the accounting criteria applicable to the company, issued by the National Banking and Securities Commission based on Article 76 of the law for Fund Management Companies, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the investments in assets made by the company for the years indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of investment portfolio valuation were approved by the Board of Directors under the responsibility of the following officers."

These statements of investment portfolio valuation faithfully match with the statements of investment portfolio valuation originals, which are properly signed and held by the Management Company"

\_\_\_\_\_  
SIGNATURE  
Ernesto Díez Sánchez  
Director General

\_\_\_\_\_  
SIGNATURE  
H. Valerio Bustos Quiroz  
Director Contabilidad Grupo

**SCOTIA FONDOS, S. A. DE C. V.**  
 Sociedad Operadora de Fondos de Inversión  
 (Formerly Sociedad Operadora de Sociedades de Inversión)  
 Grupo Financiero Scotiabank Inverlat

Statements of Income

Years ended December 31, 2015 and 2014

(Thousands of Mexican pesos)

	<u>2015</u>	<u>2014</u>
Fee and commission income	\$ 1,096,889	1,035,128
Fee and commission expense	<u>(755,571)</u>	<u>(702,357)</u>
Income from services	<u>341,318</u>	<u>332,771</u>
Unrealized gain on securities (note 4)	84	75
Net realized gain on securities (note 4)	<u>4,584</u>	<u>6,117</u>
Brokerage margin	4,668	6,192
Other operating income (expense)	686	139
Administrative expenses	<u>(58,100)</u>	<u>(48,541)</u>
	<u>(52,746)</u>	<u>(42,210)</u>
Net operating income	288,572	290,561
Equity in the results of unconsolidable subsidiaries and associated companies (note 6)	<u>(31)</u>	<u>23</u>
Income before income taxes	<u>288,541</u>	<u>290,584</u>
Current income taxes (note 9)	(86,990)	(85,036)
Deferred income taxes, net (note 9)	<u>1,013</u>	<u>179</u>
	<u>(85,977)</u>	<u>(84,857)</u>
Net income	\$ <u><u>202,564</u></u>	<u><u>205,727</u></u>

See accompanying notes to financial statements.

"These statements of income were prepared in accordance with the accounting criteria applicable to the company, issued by the National Banking and Securities Commission, based on Article 76 of the Law for Fund Management Companies, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the income and expenses arising from the transactions carried out by the company during the periods indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of income were approved by the Board of Directors under the responsibility of the following officers."

"These statements of income faithfully match with the statements of income originals, which are properly signed and held by the Management Company"

**SIGNATURE**  
 \_\_\_\_\_  
 Ernesto Díez Sánchez  
 General Director

**SIGNATURE**  
 \_\_\_\_\_  
 H. Valerio Bustos Quiroz  
 Director of Group Accounting

<http://www.scotiabank.com.mx/es-mx/Acerca-de-Scotiabank/Relacion-con-Inversionistas/Relaciones-con-Inversionistas/estados-financieros.aspx>

[www.cnbv.gob.mx/Paginas/default.aspx](http://www.cnbv.gob.mx/Paginas/default.aspx)



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Grupo Financiero Scotiabank Inverlat

Statements of Changes in Stockholders' Equity

Years ended December 31, 2015 and 2014

(Thousands of Mexican pesos)

	<b>Paid-in capital</b>	<b>Earned capital</b>			<b>Total stockholders' equity</b>
	<b>Capital stock</b>	<b>Statutory reserves</b>	<b>Retained earnings</b>	<b>Net income</b>	
Balances as of December 31, 2013	\$ 2,586	517	352	162,684	166,139
<b>Item related to stockholders' decisions:</b>					
Appropriation of prior year's net income	-	-	162,684	(162,684)	-
Dividends declared and paid (nota 8c)	-	-	(133,068)	-	(133,068)
<b>Item related to comprehensive income:</b>					
Net income	-	-	-	205,727	205,727
Balances as of December 31, 2014	2,586	517	29,968	205,727	238,798
<b>Item related to stockholders' decisions:</b>					
Appropriation of prior year's net income	-	-	205,727	(205,727)	-
Dividends declared and paid (nota 8c)	-	-	(196,353)	-	(196,353)
<b>Item related to comprehensive income:</b>					
Net income	-	-	-	202,564	202,564
Balances as of December 31, 2015	\$ <u>2,586</u>	<u>517</u>	<u>39,342</u>	<u>202,564</u>	<u>245,009</u>

See accompanying notes to financial statements.

"These statements of changes in stockholders' equity were prepared in accordance with the accounting criteria applicable to the company, issued by the National Banking and Securities Commission, based on Article 76 of the Law for Fund Management Companies, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the entries of the stockholders' equity accounts arising from the transactions carried out by the company during the periods indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the following officers."

"These statements of changes faithfully match with the statements of changes originals, which are properly signed and held by the Management Company"

**SIGNATURE**  
\_\_\_\_\_  
Ernesto Díez Sánchez  
General Director

**SIGNATURE**  
\_\_\_\_\_  
H. Valerio Bustos Quiroz  
Director of Group Accounting

**SCOTIA FONDOS, S. A. DE C. V.**  
 Sociedad Operadora de Fondos de Inversión  
 (Formerly Sociedad Operadora de Sociedades de Inversión)  
 Grupo Financiero Scotiabank Inverlat

Statements of Cash Flows

Years ended December 31, 2015 and 2014

(Thousands of Mexican pesos)

	<u>2015</u>	<u>2014</u>
Net income	\$ 202,564	205,727
Items not requiring (providing) cash flow:		
Current and deferred income taxes	85,977	84,857
Provisions	(25,298)	(27,705)
Equity in the results of unconsolidable subsidiaries and associated companies	31	(23)
Unrealized gain on securities	(84)	(75)
	<u>60,626</u>	<u>57,054</u>
Operating activities:		
Change in investment securities	36,716	(69,026)
Change in other operating assets	95,310	81,103
Change in other operating liabilities	(59,415)	(57,788)
Payments of income taxes	(101,422)	(83,002)
	<u>(28,811)</u>	<u>(128,713)</u>
Net cash flows from operating activities		
	<u>(28,811)</u>	<u>(128,713)</u>
Net cash flows from investing activities, payments for acquisition of subsidiaries and associated companies	<u>(37,596)</u>	<u>(1,000)</u>
Financing activities:		
Dividends declared and paid of dividends in cash and net cash flows from financing activities	<u>(196,353)</u>	<u>(133,068)</u>
Net increase in cash and cash equivalents	430	-
Cash and cash equivalents at beginning of year	<u>14</u>	<u>14</u>
Cash and cash equivalents at end of year	\$ <u>444</u>	<u>14</u>

See accompanying notes to financial statements.

"These statements of cash flows were prepared in accordance with the accounting criteria applicable to the company issued by the National Banking and Securities Commission based on Article 76 of the Law for Fund Management Companies, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, it reflects all the cash inflows and cash outflows relating to the transactions carried out by the company for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of cash flows were approved by the Board of Directors under the responsibility of the following officers."

"These statements of cash flows faithfully match with the statements of cash flows originals, which are properly signed and held by the Management Company"

SIGNATURE  
 Ernesto Díez Sánchez  
 General Director

SIGNATURE  
 H. Valerio Bustos Quiroz  
 Director of Group Accounting

**SCOTIA FONDOS, S. A. DE C. V.**  
Sociedad Operadora de Fondos de Inversión  
(Formerly Sociedad Operadora de Sociedades de Inversión)  
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Notes to Financial Statements

December 31, 2015 and 2014

(Thousands of Mexican pesos)

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

**(1) Description of business and significant transactions-**

Scotia Fondos, S. A. de C. V. (“the Management Company”) is a fund management company that began operations on December 5, 2001 and is engaged in providing administrative services, distribution, valuation, promotional and management services to the investment funds of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. (“Scotiabank Mutual Funds”), which holds 99.99% of its capital stock.

On January 1, 2015, the Mutual Funds Law (formerly Law for Fund Management Companies) entered into force. The main changes of this Law consist that investment entities, in general, must be transformed into mutual funds and must have only one Founding Partner. Also, the Mutual Funds will not have Stockholders’ Board, Board of Directors or Statutory Auditor, therefore such functions will be conferred on the Founding Partner and the Fund Management Company as well as members of the Board of Directors of the Fund Management Company; in this case, the Management Company will act as Founding Partner and Mutual Fund Management Company. Derived from the aforementioned, at the July 8, 2014 Extraordinary General Stockholders’ Meeting, amendments to the bylaws of the Management Company were approved, which were authorized by the National Banking and Securities Commission (the Commission) through Official Letter 312-2/13658/2015 dated February 9, 2015. Such amended bylaws were certified by Notary Public on March 25, 2015, thus beginning such date the Management Company’ legal name shall contain the expression “Sociedad Operadora de Fondos de Inversión” and act as such.

The Management Company obtained 88% and 86% of its fee and commission income for 2015 and 2014, respectively, from the Scotiabank Mutual Funds, which are listed below (note 10):

Mutual funds investing in debt instruments:

- Finde 1, S. A. de C. V., (FINDE1) <sup>(2)</sup>
- Scotia Inversiones , S. A. de C. V., (SBANKCP) <sup>(2)</sup>
- Scotia Solución 5, S. A. de C. V. (SBANKDL) <sup>(1)</sup>
- Fondo de Fondos Scotiabank de Mediano Plazo, S. A. de C. V. (SBANKMP)

<sup>(1)</sup> and <sup>(2)</sup> See explanation on the next page

(Continued)

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(Thousands of Mexican pesos)

- Scotia Real, S. A. de C. V. (SCOT-TR)
- Scotia Solución 8, S. A. de C. V., (SCOTGMP) <sup>(2)</sup> (in 2014, Scotia para no Contribuyentes, S. A. de C. V.)
- Scotia Productivo, S. A. de C. V., (SCOTI10) <sup>(2)</sup>
- Scotia Disponibilidad, S. A. de C. V., (SCOTIA1) <sup>(2)</sup>
- Scotia Rendimiento, S. A. de C. V., (SCOTIA2) <sup>(2)</sup>
- Scotia Gubernamental, S. A. de C. V., (SCOTIAG)
- Scotia Previsional de Liquidez Restringida, S. A. de C. V., (SCOTILP) <sup>(2)</sup>
- Scotia Plus, S. A. de C. V., (SCOTIMB) <sup>(2)</sup>
- Scotia Gubernamental Plus, S. A. de C. V., (SCOTLPG)
- Scotia Solución 4, S. A. de C. V. (SCOTUDI formerly SCOT-S4)

Mutual funds investing in equities:

- Scotia Solución 6, S. A. de C. V. (DYNUSA+) <sup>(1)</sup>
- Scotia Patrimonial Plus, S. A. de C. V. (SBANK50) <sup>(2)</sup>
- Scotia Cartera Modelo, S. A. de C. V. (SCOT-CM)
- Scotia Solución 2, S. A. de C. V. (SCOT-FR)
- Scotia Progresivo, S. A. de C. V. (SCOT-FX)
- Scotia Patrimonial, S. A. de C. V., (SCOT-RV) <sup>(2)</sup>
- Scotia Inversiones Plus, S. A. de C. V., (SCOTDOL) <sup>(2)</sup>
- Scotia Diversificado, S. A. de C. V. (SCOTEME)
- Scotia Solución 3, S. A. de C. V. (SCOTEUR)
- Scotia Global, S. A. de C. V. (SCOTGLO)
- Scotia Estratégico, S. A. de C. V., (SCOTI12) <sup>(2)</sup>
- Scotia Crecimiento, S. A. de C. V., (SCOTI14) <sup>(2)</sup>
- Scotia Indizado, S. A. de C. V., (SCOTIPC) <sup>(2)</sup>
- Scotia Dinámico, S. A. de C. V. (SCOTQNT)
- Scotia Internacional, S. A. de C. V., (SCOTUSA) <sup>(2)</sup>

<sup>(1)</sup> Mutual funds newly incorporated (see subsection (a) of this note)

<sup>(2)</sup> Mutual funds acquired on February 20, 2015 (see subsection (b) of this note)

(Continued)

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The administrative and share distribution services required by the mutual funds are provided as support and advice to the General Director by related parties (note 10).

***Significant transactions 2015-***

***(a) Incorporation of mutual funds-***

On May 6, 2015, the Management Company incorporated the mutual fund called “Scotia Solución 5”, Sociedad Anónima de Capital Variable. The Management Company contributed in the capital stock for \$1,000, such contribution is represented by minimum fixed portion of Class “A” representative shares without right for withdrawal. Such mutual fund was presented to the general public on June 9, 2015, with ticker symbol SBANKDL.

On June 5, 2015, the Management Company incorporated the mutual fund called “Scotia Solución 6”, Sociedad Anónima de Capital Variable. The Management Company contributed in the capital stock for \$1,000, such contribution is represented by minimum fixed portion of Class “A” representative shares without right for withdrawal. Such mutual fund was presented to the general public on July 20, 2015, with ticker symbol DYNUSA+.

***(b) Acquisition of mutual funds-***

On October 15, 2014, the Management Company and Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (the Bank), related party, held a purchase agreement to acquire all of the minimum fixed capital stock of Class “A” shares that the Bank owned from mutual funds; the transaction amounted to \$35,596. The sale became effective when the transaction was authorized by the Commission through Official Letter 154/7541/2015 dated February 20, 2015 (see third paragraph of note 1).

***(c) Dividends decree-***

As mentioned in note 8(c) on March 31, 2015, dividends were decreed through resolutions of the Ordinary General Stockholders’ Meeting for \$196,353, which were paid on the same date.

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***Significant transactions 2014-***

***(a) Incorporation of mutual fund-***

On February 26, 2014, the Management Company incorporated the mutual fund called “Scotia Solución 3”, Sociedad Anónima de Capital Variable. The Management Company contributed in the capital stock for \$1,000, such contribution is represented by minimum fixed portion of Class “A” representative shares without right for withdrawal. Such mutual fund was presented to the general public on August 8, 2014, with ticker symbol SCOTEUR.

***(b) Dividends decree-***

As mentioned in note 8(c) on May 23, August 22 and November 21, 2014, dividends were decreed through resolutions of the Ordinary General Stockholders’ Meetings for \$80,000, \$25,112 and \$27,956, respectively, which totals \$133,068, and were paid during 2014.

**(2) Authorization, basis of presentation and summary of significant accounting policies-**

***Authorization-***

On February 22, 2016, Ernesto Díez Sánchez (General Director of the Management Company) and H. Valerio Bustos Quiroz (Director of Group Accounting) authorized the issuance of the accompanying financial statements and related notes.

The stockholders and the Commission are empowered to modify the financial statements after issuance. The accompanying financial statements for 2015 will be submitted to the next Stockholders’ Meeting for approval.

***Basis of presentation-***

***(a) Statement of compliance-***

The financial statements of the Management Company have been prepared based on the accounting criteria issued by the Commission for management fund companies in Mexico. The Commission is responsible for the inspection and supervision of management fund companies, as well as reviewing their financial information and other periodic information that the Management Company submits for review.

(Continued)

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(Thousands of Mexican pesos)

The accounting criteria provide that the Commission will issue particular rules for specialized operations and in the absence of an express accounting criterion issued by the Commission for management fund companies or for credit institutions, and in a wider context the Mexican Financial Reporting Standards (MFRS), the suppletory process as established by MFRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by MFRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to other regulatory framework may be opted for, in the following order: U. S. Generally Accepted Accounting Principles (US GAAP), and then any other formal and recognized accounting standard, provided comply with the requirements of accounting criteria A-4 of the Commission.

***(b) Use of estimates and judgments -***

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of investment securities, the realization of deferred tax assets, and the assets and liabilities related to employees' benefit obligations. Actual results could differ from those estimates and assumptions.

***(c) Functional and reporting currency-***

The aforementioned financial statements are presented in the reporting currency (Mexican peso), which is the recording and the functional currencies.

For purposes of disclosure in the notes to the financial statements, "pesos" or "\$" means thousands of Mexican pesos.

(Continued)

**SCOTIA FONDOS, S. A. DE C. V.**  
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(Thousands of Mexican pesos)

***Summary of significant accounting policies-***

Significant accounting policies applicable in the preparation of the financial statements are summarized below:

***(a) Recognition of the effects of inflation-***

The accompanying financial statements include the recognition of inflation based in Investment Units (Unidades de Inversión or UDI) to December 31, 2007 according to the applicable accounting criteria.

The years ended December 31, 2015 and 2014 are considered as non inflationary economic environment (inflation accumulated over the three preceding years less than 26%), as established in MFRS B-10 “Effects of inflation”; consequently the effects of inflation on the Management Company’s financial information are not recognized. Should be back in an inflationary environment, the cumulative effects of inflation not recognized in prior periods must be retrospectively recognized from the last period that the economic environment was considered as inflationary. The accumulated inflation rate of the three preceding years and inflation indices are as follows:

<u>December 31</u>		<u>UDI</u>	<u>Inflation</u>	
			<u>Annual</u>	<u>Accumulated</u>
2015	\$	5.381175	2.10%	10.39%
2014		5.270368	4.18%	12.34%
2013		<u>5.058731</u>	<u>3.78%</u>	<u>11.76%</u>

***(b) Cash and cash equivalents-***

This caption includes cash and demand bank account balances in local currency. Cash and cash equivalents are accounted for at its nominal value.

(Continued)



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(Thousands of Mexican pesos)

**(c) *Investment securities-***

Investment securities include shares issued by the funds, classified at the date of acquisition as trading securities.

Trading securities are those acquired with the intention of selling to get short-term gains arising from differences in prices resulting from its trading in the market. Securities at the time of acquisition are accounted for at fair value (which includes, where applicable, the discount or premium) which presumably corresponds to the price paid; transaction costs for the acquisition of securities are recognized in income on the same date. Subsequently, securities are valued at fair value provided by an independent price vendor; when the securities are sold, the result of buy/sell is determined by the difference between purchase price and the sale price and this concept must cancel the result of valuation that has been previously recognized in the income statement.

Interest earned from debt securities are determined based on the effective interest method and recognized in the year's income under the brokerage margin.

Dividends from equity securities are recognized in the year's income under the caption "Interest income" when the right to receive payment arise.

Valuation effects are recognized in the year's income within the caption "Unrealized gain on securities". The purchase or sale results are presented under the caption "Net realized gain on securities".

**(d) *Accounts receivable-***

Accounts receivable are evaluated by the Management Company to determine its estimated recovery value and, as required, to create the corresponding reserves. Accounts receivable are reserved and charged to income 90 days after their initial recording if they correspond to identified items and 60 days if the balances are unidentified, except for tax-related (VAT included) balances.

(Continued)

**SCOTIA FONDOS, S. A. DE C. V.**  
Sociedad Operadora de Fondos de Inversión  
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Notes to Financial Statements

(Thousands of Mexican pesos)

**(e) *Permanent investments-***

Permanent investments where the Management Company has control or significant influence are valued using the equity method, which recognizes the participation in result and stockholders' equity of these entities using its financial statements at the same reporting period of the Management Company. Under this caption minimum fixed capital stock Class "A" shares of mutual funds owned by the Management Company are included.

When a subsidiary, affiliates or joint venture become other permanent investment, the acquisition cost must be the value obtained from the equity method at the date of transition.

Dividends, if any, received from these investments are recognized in the statement of income under the caption "Other operating income (expense)".

**(f) *Provisions-***

Based on management's estimates, the Management Company recognizes accruals for those present obligations in which it is probable the transfer of assets or the rendering of services and arises as a consequence of past events.

**(g) *Income taxes-***

The income taxes payable for the year are determined in conformity with the tax provisions in effect.

Income taxes payable are presented as liability in the balance sheet; when the tax prepayments exceed the income tax payable, the difference corresponds to an account receivable.

Deferred income taxes are accounted for in accordance with the asset and liability method, which compares the accounting and tax values. Deferred income taxes (assets and liabilities) are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in case of income tax, for tax loss carryforwards. Deferred income taxes 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.

(Continued)

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(Thousands of Mexican pesos)

The effect on deferred income taxes assets and liabilities of a change in tax rates is recognized in income for the period enacted. The asset or liability for deferred income taxes to be determined for deductible or taxable temporary differences is presented in the balance sheet.

**(h) *Employees' benefits-***

The Management Company has a defined contribution pension plan in place; plan contributions are recognized directly in the statement of income as expenses under the caption "Administrative expenses" (see note 7).

Additionally, a defined benefit plan is in place covering the seniority premiums and severance payments to employees whom are entitled in accordance with the Federal Labor Law, and the life insurance for retirees.

For both plans, irrevocable trusts have been created in which the plan assets are managed, except for severance payments.

The net periodic cost of the defined benefit plans as well as severance payments and termination other than restructure are recognized in expenses each year, based on computations prepared by independent actuaries according with actuarial procedures and principles generally accepted, and in accordance with MFRS D-3 "Employee benefits". The methodology to calculate the obligations is the projected unit credit method, considering the use of actuarial assumptions that reflect the present value, salaries increase and the probability of payment of such benefit.

At the date of adoption of MFRS D-3, items pending amortization and relating to past services are amortized over the lower of a maximum period of five years or the remaining average working life. Past services arising on a date subsequent to the coming into force of MFRS D-3 are amortized over the remaining average working life. Items pending amortization and relating to past services of termination benefits are immediately recognized in the income statement.

(Continued)

**SCOTIA FONDOS, S. A. DE C. V.**  
Sociedad Operadora de Fondos de Inversión  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of Mexican pesos)

The balance of actuarial gains or losses at the beginning of each period that exceed 10% of the greater amount between the defined benefit obligation and the plan assets should be amortized considering the remaining average working life of the employees expected to be eligible for the plan benefits.

Actuarial gains or losses of termination benefits are immediately recognized in the income statement.

**(i) Revenue recognition-**

Management Company's income corresponds mainly to the earned fees and commissions for services rendered to the funds, which are recorded in the statement of income under the caption "Fee and commission income" when the services are provided.

Yields generated by investments with financial institutions are recognized in the statement of income in accrual basis within the brokerage margin.

**(j) Memorandum accounts-**

Memorandum accounts relate mainly to the assets in custody or under management.

The client assets values in custody and under management are presented at fair value in the corresponding memorandum accounts, representing the maximum expected amount by which the Management Company would be required to respond to their customers.

**(k) Contingencies-**

Liabilities or important loss related with contingencies are recorded when is probable that their effects will be materialized and the reasonable elements exist for their quantification. If reasonable elements do not exist, qualitative disclosure is provided in the notes to the financial statements.

Revenues, income and contingent assets are recognized until there is absolute certainty of its realization.

(Continued)

**SCOTIA FONDOS, S. A. DE C. V.**  
Sociedad Operadora de Fondos de Inversión  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of Mexican pesos)

**(3) Accounting changes—**

**2015 MFRS and MFRS improvements-**

In December 2014, CINIF issued the document referred to as “2015 FRS Improvements”, which contains precise modifications to some FRS. The modifications to FRS in Bulletin C-9 “Liabilities, provisions, contingent assets and liabilities and commitments” had no significant effect in financial position of Management Company.

**2014 MFRS and MFRS improvements-**

The CINIF issued the following MFRS and MFRS Improvements applicable to the Management Company, effective as from January 1, 2014, these MFRS and MFRS Improvements did not have important effect in the financial statements of the Management Company.

- MFRS C-11 “Stockholders’ equity”

**MFRS Improvements-**

- MFRS C-5 “*Prepayments*”
- MFRS D-3 “*Employees’ benefits*”

(Continued)

**SCOTIA FONDOS, S. A. DE C. V.**  
Sociedad Operadora de Fondos de Inversión  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of Mexican pesos)

**(4) Investment securities-**

As of December 31, 2015 and 2014, investment securities classified as trading securities amounts to \$181,380 and \$218,012, respectively (see detail in the Statement of Investment Portfolio Valuation).

Net realized gain on trading securities for the years ended December 31, 2015 and 2014 amounted to \$4,584 and \$6,117, respectively; unrealized gain on investment securities as of December 31, 2015 and 2014 amounted to \$84 and \$75, respectively. These amounts are included in the statement of income under the captions “Net realized gain on securities” and “Unrealized gain on securities”, respectively.

As of December 31, 2015 and 2014, the investment securities of the Management Company are shares of Scotia Gubernamental, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (SCOTIAG), which maintains a rating according to the Commission of short term governmental securities with a term no longer than 365 days, same day for settlement and trade.

SCOTIAG was rated in 2015 and 2014, as AAA/2F by Fitch Ratings México, S. A. de C. V., such rating is “Outstanding” in terms of security of the fund, which is derived from the evaluation factors including: quality and diversification of the assets in portfolio, strengths, weakness of the management and the operation capacity (AAA) and (2) or “Low” in terms of sensibility to the market conditions.

(Continued)

**SCOTIA FONDOS, S. A. DE C. V.**  
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Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of Mexican pesos)

**(5) *Accounts receivable-***

As of December 31, 2015 and 2014, accounts receivable's balances are as follows:

	<u>2015</u>	<u>2014</u>
Related parties	\$ 82,570	76,933
Recoverable taxes	11,479	11,887
Other accounts receivable		
Co-distribution and management services	9,911	13,930
VAT pending to be credited	-	5,344
Others	<u>1,103</u>	<u>583</u>
	<u>\$ 105,063</u>	<u>108,677</u>

As of December 31, 2015 and 2014, there were not changes in current conditions of other accounts receivable, therefore there were not items considered by management as uncollectable or doubtful and no allowance was needed for these accounts.

**(6) *Permanent investments-***

At December 31, 2015 and 2014, permanent investments include minimum fixed capital stock Class "A" of 29 mutual funds for \$48,999 (11 mutual funds for \$11,434 in 2014), which generated a result in the year of (\$31) (\$23 in 2014).

**(7) *Employees' benefits-***

The Management Company has a defined contribution pension plan and post-retirement benefits plan, all employees who belonged to defined benefit plan current until March 31, 2006 were incorporated to such plan. This plan sets out pre-established contributions by the Management Company, which may be fully withdrawn by the employee upon retirement if at least 55 years old or partially on employment termination in accordance with specific rules for vesting rights. Additionally, contributions are made by employees, who will be entitled to withdraw those contributions upon employment termination.

(Continued)

**SCOTIA FONDOS, S. A. DE C. V.**  
Sociedad Operadora de Fondos de Inversión  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of Mexican pesos)

For the years ended December 31, 2015 and 2014, the debit to year-end results related to Management Company's contributions to the defined contribution plan amounted to \$373 and \$360, respectively, recognized in the statement of income under the caption "Administrative expenses".

The cost, obligations and contributions to the fund relating to the defined benefits pension plan, seniority premiums and life insurance are determined based on computations prepared by independent actuaries as of December 31, 2015 and 2014.

The elements of the net periodic cost and the labor obligations for the years ended December 31, 2015 and 2014 are as following:

	<u>Seniority Premium</u>			<u>Life insurance</u>
	<u>Retirement</u>	<u>Termination</u>	<u>Total</u>	
<b><u>2015</u></b>				
Service cost	\$ 2	–	2	6
Financial cost	3	1	4	6
Return on plan assets	(1)	–	(1)	(2)
Amortization	2	–	2	4
Cost from recognition of actuarial gains generated in the year	–	36	36	–
Income from anticipated reduction of obligations	<u>(8)</u>	<u>–</u>	<u>(8)</u>	<u>(26)</u>
Net periodic (income) cost	\$ <u>(2)</u>	<u>37</u>	<u>35</u>	<u>(12)</u>

	<u>Seniority Premium</u>			<u>Life insurance</u>
	<u>Retirement</u>	<u>Termination</u>	<u>Total</u>	
<b><u>2014</u></b>				
Service cost	\$ 2	1	3	5
Financial cost	2	1	3	5
Return on plan assets	(1)	–	(1)	(2)
Amortization	2	–	2	3
Income from recognition of actuarial gains generated in the year	<u>–</u>	<u>(1)</u>	<u>(1)</u>	<u>–</u>
Net periodic cost	\$ <u>5</u>	<u>1</u>	<u>6</u>	<u>11</u>

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**SCOTIA FONDOS, S. A. DE C. V.**  
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Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of Mexican pesos)

The present value of benefit obligations of seniority premiums and life insurance for the years ended December 31, 2015 and 2014 are as follows:

<b><u>2015</u></b>	<b><u>Seniority Premium</u></b>			<b><u>Life</u></b>
	<b><u>Retirement</u></b>	<b><u>Termination</u></b>	<b><u>Total</u></b>	
Defined benefit obligations (DBO)	\$ (15)	(9)	(24)	(31)
Plan assets at fair value	<u>—</u>	<u>—</u>	<u>—</u>	<u>17</u>
Financial situation of the fund	(15)	(9)	(24)	(14)
Past service for:				
Plan modifications	—	—	—	1
Cumulative actuarial losses	<u>10</u>	<u>—</u>	<u>10</u>	<u>18</u>
Projected (liability) asset, net	\$ <u>(5)</u>	<u>(9)</u>	<u>(14)</u>	<u>5</u>
<b><u>2014</u></b>	<b><u>Seniority Premium</u></b>			<b><u>Life</u></b>
	<b><u>Retirement</u></b>	<b><u>Termination</u></b>	<b><u>Total</u></b>	
Defined benefit obligations (DBO)	\$ (32)	(10)	(42)	(82)
Plan assets at fair value	<u>7</u>	<u>2</u>	<u>9</u>	<u>20</u>
Financial situation of the fund	(25)	(8)	(33)	(62)
Past service for:				
Plan modifications	—	—	—	3
Cumulative actuarial losses	<u>22</u>	<u>—</u>	<u>22</u>	<u>52</u>
Projected liability, net	\$ <u>(3)</u>	<u>(8)</u>	<u>(11)</u>	<u>(7)</u>

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A reconciliation of the projected (liability) asset, net as of December 31, 2015 and 2014 is as follows:

<b><u>2015</u></b>	<b><u>Seniority Premium</u></b>			<b><u>Life</u></b>
	<b><u>Retirement</u></b>	<b><u>Termination</u></b>	<b><u>Total</u></b>	<b><u>insurance</u></b>
Projected liability, net at December 31, 2014	\$ (3)	(8)	(11)	(7)
Net periodic cost	2	(1)	1	12
Cost from recognition of actuarial gains and losses generated in the year	—	(36)	(36)	—
Benefits paid	—	32	32	—
Contributions to the fund	<u>(4)</u>	<u>4</u>	<u>—</u>	<u>—</u>
Projected (liability) asset, net at December 31, 2015	\$ <u>(5)</u>	<u>(9)</u>	<u>(14)</u>	<u>5</u>
<b><u>2014</u></b>	<b><u>Seniority Premium</u></b>			<b><u>Life</u></b>
	<b><u>Retirement</u></b>	<b><u>Termination</u></b>	<b><u>Total</u></b>	<b><u>insurance</u></b>
Projected asset (liability), net at December 31, 2013	\$ 2	(7)	(5)	4
Net periodic cost	(5)	(2)	(7)	(11)
Income from recognition of actuarial gains and losses generated in the year	—	<u>1</u>	<u>1</u>	—
Projected liability, net at December 31, 2014	\$ <u>(3)</u>	<u>(8)</u>	<u>(11)</u>	<u>(7)</u>

Expected return on plan assets for the years 2015 and 2014, is \$2 and \$3, respectively.

During 2016, there is no expected contributions to the fund that covers labor obligations.

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The present value of the statutory severance benefit obligations as of December 31, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
ABO, DBO and net projected liability	\$ <u>(349)</u>	<u>(381)</u>

The net (income) cost for the statutory severance for the years ended December 31, 2015 and 2014 amounted to (\$32) and \$18, respectively.

The nominal rates used in the actuarial projections for the years ended December 31, 2015 and 2014 are:

	<u>2015</u>	<u>2014</u>
Yield on plan assets	8.25%	8.00%
Discount rate	8.25%	8.25%
Rate of increase in compensation	5.00%	5.00%
Estimated inflation rate	<u>4.00%</u>	<u>4.00%</u>

The rate of expected return on plan assets was determined using the long-term expected return on the type of asset that conforms in the fund's portfolio of the Management Company.

The seniority premium assets are invested of fixed-yield instruments held in 60% and 40% of variable-yield instruments in a trust and managed by a Committee appointed by the Management Company.

At December 31, 2015, the amortization period of unrecognized defined benefits for seniority premium benefits, life insurance and statutory severance, are as follows:

	<u>Seniority premium</u>		<u>Life</u>	<u>Severance</u>
	<u>Retirement</u>	<u>Termination</u>	<u>insurance at</u>	<u>indemnities</u>
			<u>retirement</u>	<u>Termination</u>
Net actuarial loss	<u>9.75</u>	<u>1</u>	<u>15.11</u>	<u>1</u>

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**(8) Stockholders' equity-**

Following is a description of the main characteristics of the accounts included in stockholders' equity:

**(a) Structure of capital stock-**

At December 31, 2015 and 2014, the capital stock is represented by 2,000,000 common shares, fully subscribed and paid, with a nominal value of one peso each, divided into 1,000,000 shares corresponding to the minimum fixed portion capital stock (Series "A") and 1,000,000 shares corresponding to the variable portion capital stock (Series "B"). The variable portion of capital stock may at no time exceed the minimum fixed capital not subject to withdrawal.

**(b) Restrictions on stockholders' equity-**

Five percent of net income for the year must be appropriated to the statutory reserve, until it reaches 20% of the paid-in capital. At December 31, 2015, the Management Company had appropriated the total statutory reserve requirement, equal to 20% of its capital stock.

Stockholders' contributions and retained earnings are subject to income tax on the amounts distributed or refunded that exceed the amounts determined for tax purposes. At December 31, 2015 the capital contribution account (CUCA) and the tax basis retained earnings account (CUFIN) amount to \$3,547 and \$228,636, respectively.

The dividends paid to individuals and corporations resident abroad shall be subject to an additional tax of 10%, which is considered final and must be withheld by entities that distribute such dividends.

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**(c) Dividends declared-**

At December 31, 2015 and 2014, the Management Company declared and paid dividends as follows:

<u>Declared date</u>	<u>Declared amount</u>	<u>Dividends paid in 2015</u>		<u>Dividends paid in 2014</u>	
		<u>Payment date</u>	<u>Amount paid</u>	<u>Payment date</u>	<u>Amount paid</u>
31-mar-15	\$ 26,353	31-mar-15	\$ 26,353	–	\$ –
31-mar-15	170,000	31-mar-15	170,000	–	–
21-nov-14	27,956	–	–	28-nov-14	27,956
22-aug-14	25,112	–	–	29-nov-14	25,112
23-may-14	<u>80,000</u>	–	–	30-may-14	<u>80,000</u>
	\$ <u>329,421</u>		\$ <u>196,353</u>		\$ <u>133,068</u>

At December 31, 2015 and 2014 there are no pending dividend payments.

**(9) Income taxes (IT)-**

IT Law effective as of January 1, 2014 imposes an IT rate of 30%. The current rate ESPS rate is 10%, for the years 2015 and 2014.

At December 31, 2015 and 2014, the expense for current IT, is as follows:

	<u>2015</u>	<u>2014</u>
Current Tax	\$ (85,036)	(85,036)
2014 IT payment	(21)	–
Deferred tax	<u>1,013</u>	<u>179</u>
	\$ <u>(85,977)</u>	<u>(84,857)</u>

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At December 31, 2015 and 2014, the deferred IT asset is analyzed as follows:

	<u>2015</u>	<u>2014</u>
Asset (liability):		
Accruals	\$ 1,684	6671
Prepaid expenses	<u>(5)</u>	<u>(5)</u>
Deferred IT	\$ <u>1,679</u>	<u>666</u>

The net favorable effect in the statement of income for \$1,013 and \$179 for the years ended at December 31, 2015 and 2014, respectively, correspond mainly to accruals.

The following is an analysis of the effective tax rate for the fiscal years ended at December 31, 2015 and 2014:

		<u>IT</u>	
	<u>Basis</u>	<u>Tax at 30%</u>	<u>Effective rate</u>
<b><u>December 31, 2015</u></b>			
Income before income taxes	\$ 288,541	(86,562)	(30%)
<i>Allocation to current tax:</i>			
Adjustment for effects of inflation	(3,360)	1,008	—
Accruals, net	3,193	(958)	—
Non-deductible expenses	267	(80)	—
Others, net	<u>1,258</u>	<u>(377)</u>	<u>—</u>
Current tax	<u>289,899</u>	<u>(86,969)</u>	<u>(30%)</u>
<i>Allocation to deferred taxes:</i>			
Deferred tax for accruals	<u>(3,377)</u>	<u>1,013</u>	<u>—</u>
Income tax	\$ <u>286,522</u>	<u>(85,956)</u>	<u>(30%)</u>

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	<u>Basis</u>	<u>IT</u> <u>Tax</u> <u>at 30%</u>	<u>Effective</u> <u>rate</u>
<b><u>December 31, 2014</u></b>			
Income before income taxes	\$ 290,584	(87,175)	(30%)
<i><u>Allocation to current tax:</u></i>			
Adjustment for effects of inflation	(8,314)	2,494	1%
Accruals, net	785	(263)	–
Non-deductible expenses	234	(70)	–
Others, net	<u>163</u>	<u>(49)</u>	<u>–</u>
Current tax	<u>283,452</u>	<u>(85,036)</u>	<u>(29%)</u>
<i><u>Allocation to deferred taxes:</u></i>			
Deferred tax for accruals	<u>(597)</u>	<u>179</u>	<u>–</u>
Income tax	\$ <u>282,855</u>	<u>(84,857)</u>	<u>(29%)</u>

*Other considerations*

In accordance with Mexican tax regulations currently in effect, the tax authorities may examine transactions carried out during the five years prior to the most recent income tax return filed.

In accordance with the IT Law, corporations carrying out transactions with related parties, whether domestic or foreign, are subject to certain limitations and requirements as to the determination of prices, since such prices must be equivalent to those that would be used in arm's-length transactions.

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**(10) Related-party transactions and balances-**

In the normal course of transactions, the Management Company undertakes related party transactions such as banking and administrative services, etc. In accordance with the Management Company's policies, all transactions derived from banking and administrative services with related parties are authorized by the Board of Directors and are in accordance with arm's length transaction principle, guarantee and conditions of sound practices.

Major transactions with related parties for the years ended December 31, 2015 and 2014, are shown below:

<b><u>Other related parties</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Revenues from:</u></b>		
Fee and commission income	\$ <u>962,268</u>	<u>894,044</u>
<b><u>Expenses for:</u></b>		
Co-distribution and administrative services	\$ 725,349	677,602
Financial advisory	27,176	25,810
Administrative fees	<u>47</u>	<u>43</u>

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Balances receivable from and payable to related parties as of December 31, 2015 and 2014 are as follows:

<b><u>Other related parties</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Receivable:</u></b>		
Cash and cash equivalents	\$ 440	10
Investment securities	181,380	218,012
Other accounts receivable	<u>82,570</u>	<u>76,933</u>
<b><u>Payable:</u></b>		
Other accounts payable	\$ <u>62,914</u>	<u>58,429</u>

For the years ended December 31, 2015 and 2014, there were no modifications to the actual conditions of the accounts receivable from and payable to related parties. Additionally, there were no items considered non-receivable or unlikely to collect, therefore no reserve was deemed.

For the year ended December 31, 2015 and 2014, the benefits granted to key management personnel amounted to \$8,593 and \$5,144, respectively.

**(11) Memorandum accounts-**

**Assets in custody and administration**

The transactions on behalf of third parties that the Management Company maintains at December 31, 2015 and 2014 are as follows:

	<b><u>2015</u></b>	<b><u>2014</u></b>
Customer banks		
(Short term investments)	\$ 3,134	3,112
Securities holdings		
(Funds' investment securities)	89,286,446	80,124,982
Debt instruments		
(Mutual funds)	75,909,621	69,178,827
Common instruments		
(Mutual funds)	<u>14,705,139</u>	<u>10,934,545</u>
	\$ <u>179,904,340</u>	<u>160,241,466</u>

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**(12) Risk management (unaudited)-**

The purpose of the comprehensive risk management function is to identify and measure risks, follow up on the impact that these risks may have on the operations and control their effects on income and shareholder value by applying the best mitigating strategies available, and the incorporation of the risk culture in daily transactions.

According to the disposition in terms of risk management issued by the Commission, the Board of Directors assumes responsibility over the Management Company risk management objectives, guidelines and policies. At least once a year, the Board of Directors should approve the policies and procedures as well as the limit structure for the various types of risk.

Pursuant to the policies in force, the Board of Directors entrusts the implementation of the risk policies and the setting of specific limits by risk factor as well as the implementation of the procedures designed to measure, manage and control risks to the Risk Management Committee and the Comprehensive Risk Management Unit (UAIR, for its acronym in Spanish).

Furthermore, the Risk Management Committee delegates responsibility to the Asset-Liability Committee for monitoring compliance of policies and procedures concerning market and liquidity risks. In like manner, the UAIR has policies for reporting and correcting deviations from the specified limits, which it should report to the Risk Committee and the Board of Directors.

**a) Discretionary risks**

*Market risk*

The market risk is defined as the potential loss before the changes in risk factors that have impact on the valuation or expected results in investments or liabilities of mutual funds, such as market price, interest rates, exchange rate, price index fluctuations, among others.

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The underlying market risk for the mutual funds is determined using a methodology where the value at risk (VaR) is calculated through the variance-covariance (Var-Covar) parametric model, at a confidence level of 95%, a 1-year time window, and at a 1-day time horizon. A “Back Test” is performed for verifying the efficiency of the model used in measuring the VaR. This analysis is presented to the Risk Committee and the Board of the Fund Manager at least on a quarterly basis.

The UAIR has given punctual follow up to the circumstances presented in the market, influence on the VaR and presented excess in exposures with regard to the maximum authorized limit for the period from January 1 to December 31, 2015. During this specific period, the Board of Directors, Risk Committee, the General Director of the Management Company, Compliance and Internal Audit were notified that there have not been breaches to the VaR limits.

At December 31, 2015 and 2014, levels of market risk VaR of Management Company are 0.28674% and 0.2634% with respect to net asset, respectively.

For example, at December 2015, if the VaR value for 1 day is used with 95% confidence level in accordance with the net assets of 0.007% and consider that the mutual fund “SCOTIAG” has net assets of \$19,492,578.4 at the same date, the maximum expected loss in 1 of 20 days of market operation (1/20=5%), could be higher or equal to \$1,420.7, under normal conditions market.

*Liquidity risk*

The underlying liquidity risk for the mutual funds is defined as the potential loss due to the advance or forced sale of assets at unusual discounts to meet payment obligations or because a position cannot be timely sold, acquired or covered by establishing an equivalent counter position.

The liquidity risk is calculated using the purchase and sale positions, with a 6-month time window, and calculating the monthly average value in the case of stock and 90 days with daily observations for debt instruments. At December 31, 2015 and 2014, the liquidity risk was 0.1566% and 0.0949% with respect to net asset, respectively.

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For the liquidity risk result at December 31, 2015, the loss that might arise from the sale of a position at unusual discounts due to extraordinary market conditions (exogenous liquidity risk), for example, of all issuances contained in the mutual fund SCOTIAG is 0.0128% on net assets, that is \$2,491.2.

*Credit risk*

Credit risk is defined as the potential loss due to default by an issuer or counterparty in transactions carried out by the fund management companies, including agreed real or personal guarantees, as well as any mitigation mechanism used by these investment companies. For example, the SCOTIAG fund is comprised of government securities, therefore no credit risk arises.

**b) Non-discretionary risks**

*Operational Risk-*

The operational risk is a non-discretionary risk defined as the risk of loss resulting from internal control failure or deficiencies, errors in transaction processing or storage or in data transmission, as well as for adverse administrative or legal resolutions, frauds or theft, external events and includes, among others, the technological and legal risk.

The Management Company has put in place policies and procedures enabling it to implement an appropriate operational risk management process, which is described as follows:

*Policies for operational risk non-discretionary management*

These policies are intended for establishing the principles and management framework to identify, measure, monitor, limit, control and disseminate the operational risks inherent in the day-to-day activities and to promote a risk management culture throughout the Management Company.

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*Manual for Operational Risk Data Gathering and Classification*

These policies define the requirements for reporting the information that supports the measuring processes, as well as the scope of the data gathering process, the functions and responsibilities of the business units for gathering and reporting loss data, as its specific characteristics.

*Operational, legal and technological risk tolerance levels*

This is an operational loss management tool that enables each of the Management Company's area to know the tolerance levels of losses applicable to each assumed loss event, and serves as an incentive for the improvement of the operational risk management process and the adoption of the necessary action to minimize the risk of future losses.

*Key risk indicators*

This process allows the Management Company to establish indicators from process variables, which behavior is related to the level of risk assumed. By tracking each indicator, trends are identified that allow for managing the indicator's values over time. Admissible thresholds are established for each of the selected indicators.

*Operational Risk Assessment and Controls (ORAC)*

The Management Company also has a structured methodology for evaluating operational risk and controls, which is applied to the entire structure, and through which inherent operational risks in their daily activities are identified, with the following objectives: (i) Evaluate inherent risk, the effectiveness of controls and residual risk and (ii) Establish mitigation of the risks identified.

The operating loss of the Management Company for the years ended December 31, 2015 and 2014, amounts to \$0.39 (in 4 events) and \$3.4 (in 2 events), respectively.

*Legal risk*

Legal risk is defined as the potential loss from the failure of the legal and administrative provisions, issuance of unfavorable administrative and judicial resolutions and application of sanctions.

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In order to have policies and procedures that seek proper implementation of agreements and contracts where the Management Company is involved, the policies set forth in the legal manual are followed, which allows security to the operations of the Management Company, safeguarding its interests, preventing and reducing risks and legal contingencies.

*Estimate of legal risk losses model*

The Management Company has a methodology for estimating expected and unexpected legal risk losses through for estimating probable losses arising from an adverse outcome of trials in process. Such methodology is based on the loss experience of previous years that is used for determining the likelihood of loss associated with the ongoing legal issues through a statistical severity and occurrence analysis.

At December 31, 2015 and 2014, the Management Company does not record contingencies legal risk.

*Technological risk*

Technological risk is defined as the potential loss associated with damage, interruption, modification or failure resulting from the use of hardware, software, systems, applications, networks and any other channel for transmitting information in rendering services to the Management Company customers.

In order to attend to requirements of regulations in terms of technological risk, the Bank has technological risk management policies, which describe the guidelines and methodology for assessing technological risks. Furthermore, the Information Systems Department has policies, procedures and systems that contribute to compliance of the related requirements.

The technological risk methodology, which assesses vulnerabilities, considers the criticality of the information in terms of completeness, confidentiality, availability and continuity to identify the risks inherent in the technological applications and infrastructure, assess the controls in place and obtain the residual risk. As a result, the methodology sets forth a proposal of controls for mitigating the technological risk at an acceptable level.

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At December 31, 2015 and 2014, the Management Company does not register contingencies technological risk.

**(13) Commitments-**

The Management Company has entered into service agreements with related parties, under which these companies provide advisory, distribution, custody and asset management services necessary for the Management Company's operations. These agreements are for an undefined period. Total payments under these agreements, reported in the statement of income under the caption "Fee and commission expense" and "Administrative expenses", were \$752,572 and \$703,455 for the years ended December 31, 2015 and 2014, respectively.

**(14) Recently issued financial reporting standards-**

The Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF) has issued the FRS and Improvements applicable to the activity of the Management Company mentioned as follow:

**FRS C-9 "Provisions, Contingencies and Commitments"**- FRS C-9 is effective for years beginning on or after January 1, 2018; early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the initial adoption of FRS C-19 "Financial instruments payable". FRS C-9 supersedes Bulletin C-9 "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments". The first-time adoption of this FRS does not produce accounting changes in the financial statements.

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

- **Direct benefits** – The classification of direct short-term benefits was modified and the recognition of deferred Employee Statutory Profit Sharing (ESPS) was ratified.
- **Termination benefits** – The bases were modified for identifying when payments for the termination of a work relationship actually meet post-employment benefits or when they are termination benefits.

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- **Post-employment benefits** – Among others, the following were modified: the accounting recognition of multi-employer plans; government plans and plans of entities under common control; the recognition of the net defined benefit liability (asset); the bases for determining the actuarial hypothesis in the discount rate; the recognition of the Service Cost of Past Periods (SCPP) and of the Early Settlement of Obligations (ESO).
- **Remeasurements** – In recognizing post-employment benefits, the corridor approach is eliminated in the treatment of the plan's profits and losses (PPL); therefore, they are recognized as accrued and recognized directly in Other Comprehensive Income ("ORI"), requiring their recycling to the period's net profit or loss under certain conditions.
- **Plan Asset Ceiling (PA)** – Identifies a plan asset ceiling and specifies which entity contributed funds do not qualify as such.
- **Recognition in profit or loss of PM, SR and gains or losses from Early Settlement of Obligations (ESO)** – In post-employment benefits, the totality of the Service Cost of Past Periods (SCPP) of Plan Modifications (PM), Staff Reductions (SR) and the gains or losses from Early Settlement of Obligations (ESO) are immediately recognized in profit or loss.
- **Discount rate** – Establishes that the discount rate of Defined Benefit Obligations (DBO) is based on investment grade corporate bond rates (deep market) and, in their absence, on government bond rates.

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- **Termination benefits** – Requires an analysis as to whether separation payments qualify as termination benefits or are actually post-employment benefits and notes that if the benefit is non-cumulative with no preexisting granting conditions, it is a termination benefit and, therefore, it should be recognized when the event occurs. However, if preexisting conditions are present, either contractually, by law or payment practices, it is deemed a cumulative benefit and should be recognized as a post-employment benefit.

Management has estimated the favorable effect of the adoption of MFRS D-3, which will be recognized in the prior years results for \$1 and other comprehensive income by \$27, the latter will be recycled to income during the remaining labor lives of the employees. This estimate was determined using a corporate bond rate to discount the cashflows to present value. The Management Company is in the process of analyzing the appropriate discount rate.

### **2016 FRS Improvements**

In December 2015, CINIF issued the document referred to as “2016 FRS Improvements”, which contains precise modifications to some FRS. The modifications that bring about accounting changes are listed below:

**FRS C-1 “Cash and cash equivalents” and FRS B -2 “Statement of cash flows”**-These modify the definition of cash and cash equivalents to agree with the definitions established in the international financial reporting standards (IFRS) and changes the term “investments available on demand” to “highly-liquid financial instruments”. It also stipulates that cash on the initial and subsequent recognition should be valued at fair value, which is face value, cash equivalents should be valued at fair value on initial recognition and highly-liquid financial instruments should be valued based in the provisions of the standard for financial instruments, in accordance with the purpose for which each type of instrument is maintained. These revisions are effective for years beginning on or after January 1, 2016 and the accounting changes that arise should be recognized retrospectively.

Management estimates that the new FRS and improvements to FRS will not generate significant impact on its financial statements, except for the effect of the new FRS D-3 aforementioned.