F/2061 Irrevocable Trust FHipo

(Banco Invex, S.A., Institución de Banca Múltiple Grupo Financiero Invex, Trustee)

Financial statements for the period from July 3 (date of inception) to December 31, 2014, and Independent Auditors' Report Dated April 16, 2015

F/2061 Irrevocable Trust FHipo
(Banco Invex, S.A., Institución de Banca Múltiple Grupo Financiero Invex,Trustee)

Independent Auditors' Report and Financial Statement for July 3 (date of inception) to December 31, 2014

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Independent Auditors' Report to the Technical Committee of the F/2061 Irrevocable Trust FHipo Managed by Banco Invex, S.A., Institución de Banca Múltiple Grupo Financiero Invex, Trustee

We have audited the accompanying financial statements of the F/2061 Irrevocable Trust Managed by Banco Invex, S.A., Institución de Banca Múltiple Grupo Financiero Invex Trustee (the "Trust"), which comprise the statement of financial position as of December 31,2014, and the statement of profit or loss and other comprehensive income , the statement of changes in partners' equity and the statement of cash flows for the period from July 3, 2014 (date of inception) to December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements of the Trust

Management is responsible of the preparation and fair presentation of these financial statements, as issued by the International Accounting Standards Board, issued by the International Accounting Standards Board, 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 on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 the auditor's 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, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements of the trust 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 Trust'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.

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 present fairly, in all material respects, the financial position of the F/2061 Irrevocable Trust FHipo Managed by Banco Invex, S.A., Institución de Banca Múltiple Grupo Financiero Invex, Trustee as of December 31, 2014 and its financial performance and its cash flows for the period from July 3 (date of inception) to December 31, 2014 in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Other matters

a) As indicated in Note 1 to the accompanying financial statements, Irrevocable Trust number F/2061 ("FHipo") was formed on July 3, 2014 with Concentradora Hipotecaria, S.A.P.I. de C.V. as the Trustor (Trustor and Trustee in second place) and Banco Invex, S.A., Institución de Banca de Múltiple Grupo Financiero Invex as the trustee.

b) On November 5, 2014 FHipo was listed in the Mexican Stock Exchange. The Global Offering was for 300 million of Certificados Bursátiles Fiduciarios Inmobiliarios ("CBFIs") with a placement price of $25 pesos per CBFI issued for a total of $7,500 million pesos. Of the shares issued, 38.55% was placed among Mexican investors and the remaining 61.45% was acquired by international investors. On November 19, 2014, the underwriters fully exercised an over-allotment option amounting to $1,125 million.

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

C.P.C. José Ignacio Valle Aparicio

April 16, 2015

F/2061 Irrevocable Trust FHipo
(Banco Invex, S.A., Institución de Banca Múltiple Grupo Financiero Invex, Trustee)

Statement of Financial Position

As of December 31, 2014
(In thousands of Mexican pesos)

Assets	**Notes**	**2014**	
Current assets:			
Cash and cash equivalents		$	918,948
Investment in securities	3		5,365,411
Mortgage loan portfolio:			
Current loan portfolio			2,017,417
Past-due loan portfolio			-
Total mortgage portfolio			2,017,417
Allowance for loan losses			-
Mortgage loan portfolio, net	4		2,017,417
Other accounts receivable			12,522
Other assets			451
Total current assets		$	8,314,749

Partners' equity and liabilities

Current liabilities:			
Accounts payable and accrued expenses		$	4,988
Accounts payable to related parties	5		5,107
Total current liabilities			10,095
Partners' equity:			
Partners' contributions	6		8,249,130
Net income			55,524
Total partners' equity			8,304,654
Total partners' equity and liabilities		$	8,314,749

See accompanying notes to financial statements.

F/2061 Irrevocable Trust FHipo
(Banco Invex, S.A., Institución de Banca Múltiple Grupo Financiero Invex, Trustee)

Statement of Profit or Loss and Other Comprehensive Income

For the period from July 3 (date of inception) to December 31, 2014
(In thousands of Mexican pesos, except earnings per CBFI)

	Notes	2014
Revenue:		
Interest on mortgage loans	2	$ 28,246
Indexation of mortgage loans	2	12,567
Interest on investments in securities		25,206
Loss from valuation on investments in securities		(679)
		65,340
Administrative expenses:		
Management and collection fees		8,645
Other administrative expenses		1,171
		9,816
Net and comprehensive income		$ 55,524
Basic and diluted earnings per Certificados Bursátiles Fiduciarios (CBFI), considering the weighted average CBFIs outstanding for the period (103,259,669 CBFIs) [1].	6	$ 0.5377

[1] Earnings per CBFI from the date of the Global Offering is $0.1609 (See Note 6)

See accompanying notes to financial statements.

F/2061 Irrevocable Trust FHipo

(Banco Invex, S.A., Institución de Banca Múltiple Grupo Financiero Invex, Trustee)

Statements of Changes in Partners' Equity

For the period from July 3 (date of inception) to December 31, 2014

(In thousands of Mexican pesos)

	Numbers of CBFIs	Partners' equity	Net income	Total partners' equity
Initial partners' equity to the Trust (July 3, 2014)	-	$ 1	$ -	$ 1
Partners contributions	345,000,000	8,249,129	-	8,249,129
Net and comprehensive income	-	-	55,524	55,524
Balances as of December 31, 2014	345,000,000	$ 8,249,130	$ 55,524	$ 8,304,654

See accompanying notes to financial statements.

F/2061 Irrevocable Trust FHipo
(Banco Invex, S.A., Institución de Banca Múltiple Grupo Financiero Invex, Trustee)

Statements of Cash Flows
For the period from July 3 (date of inception) to December 31, 2014
(In thousands of Mexican pesos)

	2014
Net income	$ 55,524
Adjustments for:	
Interest income recognized in net income	(53,452)
Mortgage portfolio indexation gain	(12,567)
Loss from valuation of investments in securities	679
Provisions	8,645
	(1,171)
Movements in working capital:	
Acquisition of mortgage loans	(2,031,994)
Collection of mortgages loans	40,219
Refund for retuned mortgage loans	12,334
(Increase) in investments in securities	(5,358,177)
(Increase) in other receivables	(12,139)
(Increase) in other assets	(451)
Increase in accounts payable and accrued expenses	32
Interest collected	19,747
Net cash used in operating activities	(7,331,600)
Cash flows from financing activities:	
Partners contributions	8,625,000
Issuance costs of CBFI	(374,452)
Net cash provided by financing activities	8,250,548
Net increase in cash and cash equivalents	918,948
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	$ 918,948

See accompanying notes to financial statements.

Notes to the Financial Statements

For the period from July 3 (date of inception) to December 31, 2014
(In thousands of Mexican pesos)

1. Activity of FHipo and significant events

F/2061 Irrevocable Trust FHipo (“FHipo” or the “Trust”) was formed on July 3, 2014 as an irrevocable trust under the laws of Mexico by Concentradora Hipotecaria, S.A.P.I. de C.V., or “CH,” in its capacity of Trustor (the Trustor or Trustee in Second Place) and the Trust Agreement appoints Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero as Trustee (the Trustee) and Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero as the Common Representative of the holders of the Certificados Bursátiles Fiduciarios (CBFIs) who are Trustees in First Place. FHipo was established with the main business purpose of acquiring, originating, participating and managing a portfolio of mortgage loans in Mexico.

FHipo has no employees; administrative services are rendered by CH in its capacity of Advisor and Manager.

Principal offices are located at Juan Salvador Agraz 65, Floor 9, Colonia Santa Fe, Del Cuajimalpa, C.P. 05300 Mexico D.F.

Under current tax law, FHipo is not a business tax trust (pass-through tax transparent trust) for Mexican tax and legal purposes under the terms of Rule I.3.1.8. of the Miscellaneous Tax Resolution, which means that the Trust is expected to be treated as a “pass-through” vehicle or tax transparent Trust for Mexican income tax. To qualify as a pass-through vehicle, the passive income of the Trust must represent at least 90% of the total income of the Trust. Pursuant to Rule I.3.1.8. of the Miscellaneous Tax Resolution, the income items that are understood to be passive income are interest, foreign exchange gains, gains resulting from payments under capital or debt-related derivatives, gains obtained from the disposal of participation certificates or debt-like certificates issued by a real estate investment trust, dividends, gains derived from the disposition of shares, taxable inflation adjustment, and income from the lease or sublease of real estate. Therefore, because the Trust is a pass-through Mexican trust, the applicable tax regime, and consequential payment of taxes, would depend on the characteristics of each holder of CBFIs.

Significant events:

On November 5, 2014, FHipo began trading on the Mexican Stock Exchange. The Global Offering was for 300 million of CBFIs with an offering price of $25 pesos per CBFI, issued for total proceeds of $7,500,000. Of the shares issued, 38.55% of CBFIs was placed among Mexican investors and the remaining 61.45% was acquired by international investors under rule 144A and Reg S. Underwriters to the issuance included Casa de Bolsa Credit Suisse (Mexico), S.A. de C.V., Casa de Bolsa Banorte Ixe Casa de Bolsa, S.A. de C.V., Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., and Casa de Bolsa BBVA Bancomer, S.A. de C.V. acted as bookrunners.

Due to the success of the Global Offering and the good performance over the secondary market, on November 19, 2014, the bookrunners exercised in full the over-allotment option. Through bookrunners additional 45 million CBFIs were acquired at the same offering price. As of December 31, 2014 there are 345 million outstanding CBFIs for a total amount of $ 8,625,000.

On November 11, 2014, FHipo began its co-participation and acquisition of mortgage loans within Infonavit under the Infonavit Total Program. As of December 31, 2014, FHipo has a net portfolio of mortgage loans with a carrying amount of $ 2,017,417.

2. Significant accounting policies

a. *Statement of compliance*

The financial statements of FHipo have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

b. *Basis of measurement*

The financial statements of FHipo have been prepared on the historical cost basis except for investment in securities, which are measured at their fair value at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, FHipo takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement as a whole, as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that FHipo can access at the measurement date;

- Level 2 are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

c. *Critical accounting judgments and key sources of estimation uncertainty*

In the application of FHipo's accounting policies, FHipo's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

d. ***Financial instruments***

Financial assets and financial liabilities are recognized when FHipo becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

e. ***Financial Assets***

Financial assets of FHipo are classified into the following specified categories: financial assets 'at fair value through profit or loss' or "FVTPL" and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

FHipo classifies its financial assets as follows:

Financial assets at FVTPL:

- Cash and cash equivalents
- Investments in securities

Loans and receivables:

- Portfolio of mortgage loans
- Other accounts receivable

1. <u>Financial assets at FVTPL</u>

   Financial assets are classified as FVTPL when the financial asset is held for trading over a short-term period.

2. <u>Loans and receivables</u>

   Mortgage Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

3. <u>Derecognition of financial assets</u>

   FHipo derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

   On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss previously recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

f. ***Cash and cash equivalents***

Cash equivalents consist of highly liquid short-term investments ("Repurchase") with original maturities of three months or less that can be easily converted into cash and are subject to a low risk of significant changes in fair value.

g. ***Investment in securities***

Investments in securities consist of financial assets at FVTPL, and are recognized at fair value, which equals the price of the consideration paid for such investment. Subsequently, the investments are valued at fair value based on market prices provided by a price vendor authorized by the National Banking and Securities Commission. Gains or losses arising from changes in fair value are recorded in the profit or loss statement.

In accordance with the trust agreement, FHipo may invest its resources as follows:

- Debt securities issued by the Mexican federal government.
- Debt securities that are fully and unconditionally guaranteed as to payment of interest and principal by the Mexican federal government or any government agency or entity whose obligations, in turn, are guaranteed by the federal government of Mexico.
- Repurchase of any of the instruments described above.
- "trackers" or referenced assets securities related to any instrument described above.

The instruments listed above carry terms of less than one year.

h. ***Mortgage loan portfolio***

The mortgage loan portfolio is initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

The amortized cost of mortgage loan portfolio is the initial measurement of the portfolio minus principal repayments, plus or minus the accumulated amortization (which is calculated using the effective interest rate method) of any difference between that initial amount and the repayment value at maturity.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

As of December 31, 2014, FHipo's loan portfolio consists of loans acquired through the Infonavit Total program. These loans have two payment schemes by borrowers as follows:

- The Ordinary Amortization Scheme (ROA), comprises those borrowers who have an employment relationship and loan repayment is deducted from the employee's salary by the employer and paid on the employee's behalf to Infonavit.

- The Special Amortization Scheme (REA) includes borrowers that have lost their employment relationship, covering directly and monthly amortization payments to Infonavit.

Current loan portfolio - Represents the outstanding balance of loans and accrued interest receivable of loans that are current in their payments or that are past due by 90 days respect to their last payment.

In accordance with the Infonavit Law, borrowers suffering from loss of employment are eligible for an extension on payments of principal and ordinary interest. During this extension period, ordinary interest generated will be capitalized to the outstanding principal of the loan. The extension may not exceed 12 continuous months and not exceed a total of 24 months. Loans in extension are considered performing loans in the absence of obligation of payment from the borrower.

Past-due loan portfolio - The unpaid balances of principal and interest are classified as past-due when payments of principal and interest payments are 90 days overdue. In the case of loans in extension, the aforementioned period will be initiated once such extension period has concluded.

The transfer of loans of past-due loan portfolio to current loan portfolio is performed when the outstanding balances have been fully settled, or being restructured there is objective evidence of sustained payment. It is considered that there is objective evidence of sustained payment when outstanding balances are fully settled without delay, both principal and interest payable, at least one exhibition in the loans under the ROA scheme and three consecutive repayments under REA scheme.

Loan portfolio denominated in Veces de Salario Mínimo- Loan *portfolio denominated in "veces de salario mínimo" ("VSM")*, means the minimum wage index, and is calculated by multiplying the current daily minimum wage of the Federal District, Mexico by 30.4. Typically, the value of VSM is adjusted by the Mexican government on an annual basis. Therefore, the outstanding balance in Mexican pesos of a mortgage loan denominated in VSM will be periodically adjusted to match VSM statutory adjustments. This indexation is monthly recognized as it accrues and it is determined based on the percentage increase in the minimum wage published by the National Commission on Minimum Wages in Mexico. The effect of revaluation is recognized in income within "Interest income".

i. ***Allowance for laans losses***

FHipo assesses at each date of the statement of financial position whether there is objective evidence that the loan portfolio is impaired. It is considered that a financial asset is impaired when there is objective, as a result of one or more events occurred after the initial recognition of the financial asset, that the future cash flows of the investment have been affected.

Between objective evidence that a loan portfolio may be impaired, it could be include an increase in the backlog of the portfolio that exceeds an average of 91 days, restructuring of a loan, as well as observable changes in national and local economic conditions that may correlate with the default of the payments.

The loan portfolio is contractually formed by a large number of credits, each of which constitutes a minor fraction of the total amount of the loan portfolio, which is classified in the entire portfolio as not individually significant. In this way, is considered to be a collective portfolio and thus, based on FHipo's management assessment, the mortgage portfolio is grouped based on similar characteristics and the calculation of the allowance for impairment is performed collectively.

When assessing collective impairment, FHipo uses an incurred loss model with parameters of default, recovery and impairment are obtained by statistical modeling of historical trends adjusted according to the FHipo's management as to whether current economic and credit conditions are such that the actual losses may be greater or less than suggested by historical models. The methodology and assumptions used are reviewed regularly against actual outcomes to ensure that they remain appropriate. As of December 31, 2014, FHipo assessed their loan portfolio and has no objective evidence of any impairment in the portfolio.

In case of any impairment the carrying value of the loan portfolio is reduced through an allowance for loan losses. When it is considered that a loan is uncollectible, it is removed from the estimate. Subsequent recoveries of amounts previously written off becomes a credit against the estimate. Changes in the carrying amount of the income estimates are recognized in profit or loss.

j. ***Financial Liabilities***

Financial liabilities are measured at amortized cost, which is the initial measurement of the liability minus principal repayments, plus or minus the cumulative amortization, which is calculated using the method of the effective interest rate. Financial liabilities on the financial statements are mainly account payable.

k. ***Provisions***

Provisions are recognized when FHipo has a present obligation (legal or constructive) as a result of a past event or it is probable that FHipo will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is FHipo's best estimate the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. ***Equity Instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by FHipo are the CBFIs issued and they are recognized as the proceeds received, net of direct issue costs.

m. ***Recognition of interest income***

Interest income is recognized when it is probable that the economic benefits will flow to FHipo and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of mortgage loans.

Income from the VSM indexation is recognized as explained in Note 2h.

3. Investment in securities

As of December 31, 2014, investments in securities are as follows:

	2014
Acquisition cost	$ 5,358,177
Accrued interest receivable	7,913
Unrealized loss	(679)
	$ 5,365,411

4. Loan portfolio

a. As of December 31,2014, the loan portfolio is as follows:

	Principal	Interest	Indexation	Total
Current loan portfolio	$ 1,979,441	$ 25,409	$ 12,567	$ 2,017,417
Minus:				
Allowance for loan losses				
Mortgage	-	-	-	-
Loan portfolio, net	$ 1,979,441	$ 25,409	$ 12,567	$ 2,017,417

b. As of December 31, 2014, there are no past-due loans.

c. As of December 31, 2014, FHipo has evaluated its loan portfolio and has concluded that there is no objective evidence that the portfolio has any sign of impairment. Therefore, it has not recognized any allowance for loan losses.

5. Related party balance and transactions

a. During the year, FHipo entered into the following transactions with related parties:

Expenses:	
Advisory and management fees	$ 5,107

b. Amounts payable to related parties are as follows:

Concentradora Hipotecaria, S.A.P.I. de C.V.	$ 5,107

6. Partners' equity

a. The contributions of trustors at face value is as follows:

	CBFIs	Amount
Initial contribution of issued	-	$ 1
CBFIs (net of issuance costs)	345,000,000	8,249,129
Total	345,000,000	$ 8,249,130

b. The equity of FHipo amounts to proceeds from the issuance of CBFIs, net of issuance costs.

c. On November 5, 2014, FHipo completed an initial placement of 300,000,000 CBFIs at a price of $ 25 (pesos) each, for total proceeds of $ 7,500,000.

d. On November 19, 2014, the overallotment of 45,000,000 CBFIs was completed at the issuance price established in the initial offering for total proceeds of $ 1,125,000. These contributions are presented net of issuance costs in the statement of changes in partners' equity.

e. In accordance with IFRS, basic and diluted earnings per CBFI are calculated by dividing the net income for the period by the weighted average number of CBFIs outstanding during the period from the date of inception through December 31, 2014 of 103,259,669. Earnings per CBFI calculated based on weighted average CBFIs outstanding from the date of the initial global offering considering 345 million CBFIs issued was $ 0.1609.

7. Financial Risk management

a. ***Equity Risk management***

FHipo manages its equity to ensure that will be able to continue as an going concern while maximizing the return to the holders of CBFIs.

The equity structure of FHipo consists of equity from issuing CBFIs. As of December 31, 2014, FHipo has not contracted any debt.

Financial risk management objectives

FHipo has stablished a Risk Management Area responsible for the development and monitoring of the risk management policies and to issue periodic reports.

The area of Risk Management has among its main functions the development and implementation of methodologies and models based on technical grounds, that aims to minimize subjectivity in the evaluation of risks and standardize calculations and parameters.

The risk management policies of FHipo are established to identify and analyze risks that may be faced, to set appropriate limits and controls, and to monitor the fulfillment of these risks and limits. These risks include market risk, credit risk and liquidity risk.

Policies and risk management systems are reviewed regularly to reflect changes in market conditions and activities of FHipo.

b. ***Market Risk***

The objective of managing market risk is to manage FHipo's exposure of market risk within acceptable parameters, it is also to achieve for optimization of returns. Marker risk is the potential loss in the value of financial assets due to adverse movements in diverse risk factors such as: interest rates and currency exchange.

Market risk exposures are measured using value-at-risk (VaR)

Value at Risk (VaR) analysis

The VaR technique allows to obtain a risk measure that reflects the maximum potential loss that a portfolio value may present (confidence level, p%) and the pre-established time horizon (period of maintenance) The Basel Committee stablished that for risk measurements the VaR must be calculated under 99% of trust level, considering a period of 10 days. The conservation period its correlated with the time taken for the Entity to undo the position held in their portfolio, without incurring in liquidity risks due to hurried positions. Even though, FHipo is not under Basel Regulations, in order to adhere to the best practices regarding risk management, FHipo has established the VaR market measurement with a horizon of 10 days with a level of trust of 99%.

Historical Simulation

The historical simulation is an exercise that examines the possible values of a portfolio of financial assets and their corresponding gains and losses from its current value, assuming recurring scenarios that have been observed in an earlier point in time. This consists of valuing the assets of a portfolio of financial instruments in scenarios of risk factors historically observed in a certain period of time. The gain or loss associated with each scenario is the difference between the current value of the portfolio and the value with risk levels of the analyzed scenario. With the profits and losses associated with each scenario, a probability range of gains and losses is established according to the value of the portfolio of which VaR may be obtained, which corresponds to the percentile of the chosen distribution by the analyst. The historical simulation method is well accepted because it is not based on assumptions of correlations and volatilities in times of extreme market movements, neither it relies on the assumption of normality and is applicable to nonlinear instruments.

As of December 31, 2014, FHipo's VaR result in $ 31,358 based on the historical method.

c. ***Credit risk management***

Credit risk refers to the risk of a counterparty to default on its contractual obligations resulting in financial loss for FHipo. The mortgage loan portfolio is composed of a large number of borrowers distributed among different geographical areas. The continuous credit evaluation is performed in the financial condition of the credits.

According to an analysis held by the Risk Management Area based on the composition of FHipo's mortgage portfolio selected under an eligibility criteria, as of December 31, 2014 no losses arising from credit risk were determined.

d. ***Liquidity risk management***

FHipo manages liquidity risk by maintaining adequate cash reserves by continuously monitoring cash flows, and by matching the maturity profiles of financial assets and liabilities.

The methodology for measuring liquidity risk is based on analyzing the observed potential deviations from the cash flows projections, in order to estimate illiquidity.

Having investments in securities and repurchase agreements amounting to $ 6,284,359, there will not be any liquidity risk (for the next six months); therefore FHipo expects to continue with the acquisition of mortgage portfolios as planned.

As of December 31, 2014 FHipo has no liabilities from borrowings, for that reason it does not have a related risk with the mismatch of asset-liability.

8. Subsequent Events

On February 27, 2015, FHipo distributed to the holders of CBFIs 95% of its net income for the fourth quarter of 2014. This distribution amounted to $52,747.

9. Authorization to issue the financial statements

The issuance of the accompanying financial statements was authorized on April 16, 2015 by Daniel Michael Braatz, Chief Finance Officer of FHipo. Consequently, such statements do not reflect events occurring after such date. These financial statements are subject to the approval and potential modifications by CBFI holders in connection with the ordinary meeting of CBFI holders.

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