BBVA Bancomer, S.A.,

Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, acting through its Texas Agency U.S.$750,000,000 4.500% Fixed Rate Senior Notes Due 2016

We, BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, a multi-purpose bank incorporated in accordance with the laws of the United Mexican States, or Mexico, acting through our Texas Agency, are offering the U.S.$750,000,000 4.500% Fixed Rate Senior Notes Due 2016, or the "Notes." The Notes will mature on March 10, 2016, or the "Maturity Date," subject to adjustment as described herein and unless previously redeemed. We may redeem the Notes, at any time if there are specified changes in (1) the Mexican or United States laws affecting the withholding tax applicable to payments under the Notes, or (2) the applicable tax laws that result in interest on the Notes not being deductible by us in whole or in part for Mexican income tax purposes. See "Description of the Notes—Redemption—Withholding Tax Redemption."

The Notes are denominated in U.S. dollars and will bear interest from (and including) March 10, 2011, or the "Issue Date," up to (but excluding) the Maturity Date at a fixed rate per annum equal to 4.500%, payable semi-annually in arrears on March 10 and September 10 of each year (each an "Interest Payment Date"), commencing on September 10, 2011.

The Notes will be issued by our Texas Agency but will be our general obligations, not different from our other direct obligations. The Notes will be our unsecured, senior obligations. In the event of our bankruptcy (*concurso mercantil*), liquidation or dissolution under Mexican law, the Notes (i) will be effectively subordinated to all of our secured indebtedness with respect to the value of our assets securing that indebtedness, certain direct, unconditional and unsecured general obligations that in case of our insolvency are granted preferential treatment pursuant to Mexican law and all of the existing and future liabilities of our subsidiaries, including trade payables, (ii) rank *pari passu* without preference among themselves and with all our other senior indebtedness, and (iii) will be senior to all our unsecured subordinated indebtedness and all classes of our capital stock, as described in this offering memorandum. See "Description of the Notes—Ranking." Payment of principal on the Notes may be accelerated only in the case of certain events involving our bankruptcy, liquidation or dissolution. The Notes will be unsecured and not insured or guaranteed by the Savings Protection Agency (*Instituto para la Protección al Ahorro Bancario*).

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange, or LSE, and to trading on the Euro MTF market.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 12.
Issue Price: 99.285%

plus accrued interest, if any, from and including March 10, 2011.
Delivery of the Notes in book-entry form will be made on or about March 10, 2011.

We expect that the Notes will be rated "A1" by Moody's Investor Service, Inc., and "A-" by Fitch, Inc. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE NATIONAL SECURITIES REGISTRY (REGISTRO NACIONAL DE VALORES) MAINTAINED BY THE NATIONAL BANKING AND SECURITIES COMMISSION (*THE COMISION NACIONAL BANCARIA Y DE VALORES*, OR CNBV), AND MAY NOT BE OFFERED OR SOLD PUBLICLY, OR OTHERWISE BE THE SUBJECT OF BROKERAGE ACTIVITIES, IN MÉXICO, EXCEPT PURSUANT TO A PRIVATE PLACEMENT EXEMPTION SET FORTH UNDER ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*). AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW, WE WILL NOTIFY THE CNBV OF THE OFFERING OF THE NOTES OUTSIDE OF MÉXICO. SUCH NOTICE WILL BE DELIVERED TO THE CNBV TO COMPLY WITH A LEGAL REQUIREMENT AND FOR INFORMATION PURPOSES ONLY, AND THE DELIVERY TO AND THE RECEIPT BY THE CNBV OF SUCH NOTICE, DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES OR OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY. THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS EXCLUSIVELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. THE ACQUISITION OF THE NOTES BY AN INVESTOR WHO IS A RESIDENT OF MÉXICO WILL BE MADE UNDER ITS OWN RESPONSIBILITY.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Global Coordinators

Deutsche Bank Securities **Goldman, Sachs & Co.**

Joint Bookrunners

BBVA Securities **Deutsche Bank Securities** **Goldman, Sachs & Co.**

The date of this offering memorandum is March 3, 2011.

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You should rely only on the information contained in this offering memorandum or to which we have referred you. We have not, and the initial purchasers have not, authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Unless otherwise specified or the context otherwise requires, references in this offering memorandum to "the Bank," "Bancomer," "we," "us" and "our" are references to BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and its subsidiaries. References to "the Texas Agency" are to the Texas Agency of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. References to "the Issuer" are to the Bank acting through the Agency.

In connection with the issue of the Notes, Deutsche Bank Securities Inc. and Goldman, Sachs & Co., or the Stabilizing Managers, or the persons acting on their behalf, may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Managers or the persons acting on their behalf will undertake stabilization action. Such stabilizing, if commenced, may be discontinued at any time and, if begun, must be brought to an end after a limited period. Any stabilization action will be undertaken in accordance with applicable laws and regulations.

We, having made all reasonable inquiries, confirm that this offering memorandum contains all information with regard to us, our subsidiaries and the Notes that is material in the context of the issue and offering of the Notes, that the information contained in this offering memorandum is true and accurate and is not misleading as of the date of this offering memorandum, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which would make this offering memorandum or any of such information or the expression of any such opinions or intentions materially misleading. We accept responsibility for the information contained in this offering memorandum.

We are relying upon an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the Notes, you will be deemed to have made the acknowledgements, representations and agreements described under "Transfer Restrictions" in this offering memorandum. We are not, and the initial purchasers are not, making an offer to sell the Notes in any jurisdiction except where such an offer or sale is permitted. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

Neither the CNBV, nor the U.S. Securities and Exchange Commission, or the SEC, nor any state or foreign securities commission has approved or disapproved of the Notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We have submitted this offering memorandum solely to a limited number of qualified institutional buyers in the United States and to investors outside the United States so that they can consider a purchase of the Notes. This offering memorandum has been prepared solely for use in connection with the placement of the Notes and for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and to trading of the Notes on the Euro MTF market. We have not authorized the use of this offering memorandum for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. This offering memorandum may be distributed and its contents disclosed only to those prospective investors to whom it is provided. By accepting delivery of this offering memorandum, you agree to these restrictions. See "Transfer Restrictions."

This offering memorandum is based on information provided by us and by other sources that we believe are reliable, but no assurance can be given by the initial purchasers as to the accuracy or completeness of such information. The initial purchasers assume no responsibility for the accuracy or completeness of the information contained herein (financial, legal or otherwise). In making an investment decision, prospective investors must rely on their own examinations of us and the terms of this offering and the Notes, including the risks involved. Moreover, the contents of this offering memorandum are not to be construed as legal, business or tax advice. You are urged to consult your own attorney, business or tax advisor for legal, business or tax advice.

This offering memorandum does not constitute an offer of, or an invitation by or on behalf of, us or the initial purchasers or any of our or their respective directors, officers and affiliates to subscribe for or purchase any securities in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Notes or possesses or distributes this offering memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales.

THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES, PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. SEE “RISK FACTORS” FOR A DESCRIPTION OF SPECIFIED FACTORS RELATING TO AN INVESTMENT IN THE NOTES. NEITHER WE, THE INITIAL PURCHASERS, NOR ANY OF OUR OR THEIR RESPECTIVE REPRESENTATIVES IS MAKING ANY REPRESENTATION TO YOU REGARDING THE LEGALITY OF AN INVESTMENT BY YOU UNDER APPROPRIATE LEGAL INVESTMENT OR SIMILAR LAWS. YOU SHOULD CONSULT WITH YOUR OWN ADVISORS AS TO LEGAL, TAX, BUSINESS, FINANCIAL AND RELATED ASPECTS OF A PURCHASE OF THE NOTES.

The Notes are not deposits with us and are not insured by the United States Federal Deposit Insurance Corporation or any other United States governmental agency or any Mexican governmental agency, including, without limitation, the *Instituto para la Protección al Ahorro Bancario*, or the IPAB, and are not guaranteed or secured, in any manner, by any entity that is part of Grupo Financiero BBVA Bancomer (including its holding company).

We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the full amount of the Notes offered hereby.

The Notes may not be purchased, held or disposed of by (1) any plan, program or arrangement subject to the Employee Retirement Income Security Act of 1974, as amended, or ERISA, Section 4975 of the Internal Revenue Code of 1986, as amended, or the Code, or comparable provisions of any federal, state, local or non-US law or (2) any person acting on behalf of or using the assets of any such plan, program or arrangement, unless such purchase, holding and disposition is covered by the exemptive relief provided by (a) Prohibited Transaction Class Exemption, or the PTCE, 96-23, 95-60, 91-38, 90-1 or 84-14, (b) Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or (c) another applicable exemption. Prospective purchasers must carefully consider the restrictions on purchase set forth in “Transfer Restrictions” and “Certain ERISA Considerations.” For information regarding restrictions on acquisition of the Notes, see “Description of the Notes—Restrictions Applicable to Mexican Financial Institutions.”

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

In any European Economic Area, or EEA, member state that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any member state, the “Prospectus Directive”), this communication is only addressed to and is only directed at qualified investors in that member state within the meaning of the Prospectus Directive.

This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are the subject of the placement contemplated in this offering memorandum should only do so in circumstances in which no obligation arises for us or any of the initial purchasers to produce a prospectus for such offer. Neither we nor the initial purchasers have authorized, nor do we or they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by initial purchasers which constitute the final placement of such Notes contemplated in this offering memorandum.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. These Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resales of notes, we will be required under the Indenture under which the notes are issued (the "Indenture"), upon the request of a holder of Rule 144A notes or Regulation S notes (during the restricted period, as defined in the legend included under "Notice to Investors"), to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request we are neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

The Indenture further requires that we furnish to the Trustee (as defined herein) all notices of meetings of the holders of notes and other reports and communications that are generally made available to holders of the notes. At our request, the Trustee will be required under the Indenture to mail these notices, reports and communications received by it from us to all record holders of the notes promptly upon receipt. See "Description of the Notes."

We will make available to the holders of the Notes, at the corporate trust office of the Trustee at no cost, copies of the indentures as well as this offering memorandum, including a review of our operations, and annual audited consolidated financial statements prepared in conformity with Mexican Banking GAAP (as defined herein). We will also make available at the office of the Trustee our audited annual and our unaudited quarterly consolidated financial statements prepared in accordance with Mexican Banking GAAP. Information is also available at the office of the Luxembourg Listing Agent (as defined herein).

Application has been made to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market, the alternative market of the Luxembourg Stock Exchange, in accordance with its rules. This offering memorandum forms, in all material respects, the listing memorandum for admission to the Luxembourg Stock Exchange. We will be required to comply with any undertakings given by us from time to time to the Luxembourg Stock Exchange in connection with the Notes, and to furnish to it all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing of the Notes.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are a multi-purpose bank (*institución de banca múltiple*) incorporated in accordance with the laws of Mexico with limited liability (*sociedad anónima*). Most of our directors and officers, as well as the experts named in this offering memorandum, reside outside of the United States, and substantially all of their assets and our assets are located outside of the United States. As a result, it may not be possible for you to effect service of process within the United States upon these persons or to enforce against them or against us in United States courts judgments predicated upon the civil liability provisions of the U.S. federal securities laws. We have been advised by our internal counsel that there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated solely on U.S. federal securities laws and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to, the following: (1) statements regarding our future results of operations and financial condition, (2) statements of plans, objectives or goals, including those related to our operations, and (3) statements of assumptions underlying such statements. Words such as "believe," "anticipate," "should," "estimate," "forecast," "expect," "may," "intend" and "plan" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

You should not place undue reliance on forward-looking statements, which are based on current expectations. Forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution investors that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements. These factors include the following:

- competition;
- profitability of our businesses;
- acquisitions and divestitures;
- credit and other risks of lending, such as increases in default of borrowers;
- limitations on our access to sources of financing on competitive terms;
- restrictions on foreign currency convertibility and remittance outside of Mexico;
- failure to meet capital or other requirements;
- changes in reserve requirements;
- changes in requirements to make contributions to or for the receipt of support from programs organized by the Mexican government;
- changes in overall economic conditions in Mexico, including exchange rates and interest rates;
- changes in exchange rates, market interest rates or the rate of inflation;
- the effect of changes in accounting principles, new legislation, intervention by regulatory authorities, government directives or monetary or fiscal policy in Mexico; and
- the other factors discussed under "Risk Factors" in this offering memorandum.

Should one or more of these factors or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated, expected or intended, as described in this offering memorandum. All forward-looking statements and risk factors included in this offering memorandum are made as of the date on the front cover of this offering memorandum, based on information available to us as of such date, and we do not have any intention nor do we assume any obligation to update these forward-looking statements.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

Our audited financial statements as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010, contained in this offering memorandum have been prepared in accordance with the accounting principles and regulations prescribed by the CNBV for banks, as amended, or Mexican Banking GAAP.

Mexican Banking GAAP differs from Mexican Financial Reporting Standards, which we refer to as Mexican GAAP or MFRS, as published by the Mexican Board for the Research and Development of Financial Reporting Standards, or CINIF (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera*). Mexican Banking GAAP also differs from generally accepted accounting principles in the United States of America, or U.S. GAAP, and SEC guidelines applicable to banking institutions in the United States. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP." No reconciliation of any of our financial statements to U.S. GAAP has been prepared for the purposes of this offering memorandum. Any such reconciliation would likely result in material differences.

Effective January 2008, we adopted the guidelines of MFRS B-10 "Recognition of the Effects of Inflation", which provide that the effects of inflation will only be required in an inflationary environment where cumulative inflation over the three preceding years is equal to or greater than 26%. The cumulative inflation rate in Mexico over the three-year periods preceding December 31, 2009 and 2010 does not qualify as inflationary. Accordingly, beginning on January 1, 2008, we were no longer required by Mexican Banking GAAP to recognize the effects of inflation in our financial statements. Our financial statements as of December 31, 2009 and 2010 retain the inflation adjustments recognized through December 31, 2007 to our consolidated stockholders' equity, and to the non-monetary assets and liabilities held as of that date.

Our financial statements as of December 31, 2008 and 2009 have been reclassified with respect to our net interest income and our net trading income to make them comparable to our financial statements for the year ended 2010. These reclassifications have no material effect on previously reported figures in our audited financial statements as of December 31, 2008 and 2009. See note 36 to our audited financial statements included elsewhere in this offering memorandum.

Our financial statements have been adjusted using the value of *Unidades de Inversión*, or UDIs, a peso currency equivalent indexed for Mexican inflation. UDIs are units of account created by Banco de México on April 4, 1995, which value in pesos is indexed to inflation on a daily basis, as measured by the change in the Mexican National Consumer Price Index, or the NCPI. See UDI Program in "Selected Statistical Information". At December 31, 2010, one UDI was equal to Ps.4.526308. For a description of the methodology used to adjust the financial statements to reflect the effects of inflation, see note 3 to our audited financial statements included elsewhere in this offering memorandum.

Unless otherwise specified, our audited financial statements and the other annual financial information contained in this offering memorandum are stated in constant pesos with purchasing power as of December 31, 2010.

Unless otherwise specified, in accordance with Mexican Banking GAAP, our financial statements and the other financial information with respect to us contained in this offering memorandum are presented in consolidated form. In accordance with Mexican Banking GAAP, only those subsidiaries that operate in the financial sector or that provide auxiliary or complementary services are consolidated for the purpose of presenting our consolidated financial information. Our other affiliates are accounted for under the equity method, representing less than 1% of our total equity. See note 17 to our audited financial statements included elsewhere in this offering memorandum.

Currencies

In this offering memorandum, references to "pesos" or "Ps." are to Mexican pesos, and references to "U.S. dollars" or "U.S.$" are to United States dollars.

This offering memorandum contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated peso amounts into U.S. dollars at the exchange rate of Ps.12.3496 to U.S.$1.00, which was the rate published by Banco de México, in the Official Gazette of Mexico (Diario Oficial de la Federación) on December 31, 2010 On January 3, 2011, the noon buying rate for pesos published by the Federal Reserve Bank of New York was Ps.12.2535 to U.S.$1.00. On February 17, 2011, the rate published by Banco de México in the Official Gazette of Mexico was Ps.12.0483 to U.S.$1.00, and the noon buying rate published by the Federal Reserve Bank of New York was Ps.12.0441 to U.S.$1.00. See "Exchange Rates and Currency" for information regarding rates of exchange between the peso and U.S. dollar for the periods specified therein.

Terms Relating to our Loan Portfolio

As used in this offering memorandum, the following terms relating to our loan portfolio and other credit assets have the meanings set forth below, unless otherwise indicated.

"*Total performing loans*" and "*total performing loan portfolio*" refer to the aggregate of (1) the total principal amount of loans outstanding as of the date presented, (2) amounts attributable to "*accrued interest*," (3) "*rediscounted loans*" and (4) the "*UDI Trusts*" (as explained below). Under Mexican Banking GAAP, we include as income for any reporting period interest accrued but unpaid during that period. Such "*accrued interest*" is reported as part of our total performing loan portfolio in the financial statements until it is paid or becomes part of the total non-performing loan portfolio. "*Rediscounted loans*" are peso- and U.S. dollar-denominated loans made to finance projects in industries that qualify for priority status under the wholesale lending programs of the Mexican government's development banks. In accordance with Mexican Banking GAAP, rediscounted loans are recorded on the balance sheet as outstanding loans. As is mandated by the CNBV, total performing loans include the off-balance sheet portfolio trusts, or the UDI Trusts, which are trusts holding our loans converted into UDIs that are consolidated in our financial statements. Under a UDI-based loan or financial instrument, interest is calculated on the outstanding UDI balance of the loan or financial instrument. Principal and interest payments are made by the borrower in an amount of pesos equivalent to the amount due in UDIs at the stated value of the UDIs on the day of payment. Under the UDI Trust program, we are liable for all future losses, if any, on the loans in the UDI Trusts. See notes 3, 11 and 12 to our audited financial statements included elsewhere in this offering memorandum.

The CNBV requires amounts receivable from the Bank Support Fund (*Fondo Bancario de Protección al Ahorro*), or FOBAPROA, or the IPAB to be included in a bank's loan portfolio in its financial statements. Accordingly, such amounts are sometimes referred to in this offering memorandum as "FOBAPROA and IPAB Notes and other receivables" and are included as a separate component of the loan portfolio in the financial statements contained in this offering memorandum as "FOBAPROA and IPAB Notes." In addition, although interest accrued on such amounts was generally capitalized over the life of the related receivable and was not payable until their maturity, we recognized such interest as current interest income. The FOBAPROA and IPAB Notes have matured and have been repaid, and as of the date of this offering memorandum, we are not owed any amounts receivable by FOBAPROA or the IPAB. See "Management's Discussion and Analysis of Financial Condition and Result of Operations—Effects of Changes in Interest Rates."

The terms "*total performing loans*" and "*total performing loan portfolio*," as used in this offering memorandum, do not include (1) amounts receivable from FOBAPROA or the IPAB in connection with the FOBAPROA and IPAB Notes, or in connection with the acquisition of Banca Promex, S.A. ("Promex"), or otherwise and (2) "*total non-performing loans*," as defined below. The term "*net total performing loans*" refers to total performing loans less allowance for loan losses on these loans.

The terms "*total non-performing loans*" and "*total non-performing loan portfolio*" include past-due principal and past-due interest. For a description of our policies regarding the classification of loans as non-performing, see "Selected Statistical Information—Non-Performing Loan Portfolio." The term "*net non-performing loans*" refers to total non-performing loans less allowance for loan losses on these loans.

References in this offering memorandum to "*provisions*" are to additions to the loan loss allowance or reserves recorded in a particular period and charged to income, except in the case of certain provisions associated with loans and foreclosed assets and other loan losses that were charged to stockholders' equity (net of deferred taxes). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations."

References in this offering memorandum to "*allowance*" are to the aggregate loan loss allowance or reserves shown as of a particular date as a balance sheet item.

The terms "*total loans*" and "*total loan portfolio*" include total performing loans plus total non-performing loans, each as defined above. The terms "net total loans" and "*net total loan portfolio*" refer to net total performing loans plus net non-performing loans, as defined above.

The loan portfolio information provided in "Selected Statistical Information" was determined in accordance with the manner in which we have presented the components of our loan portfolio in other sections of this offering memorandum as described above, except that the data for the loan portfolio presented under "Selected Statistical Information" does not include amounts attributable to accrued interest, which represented less than 1% of our total loan portfolio as of December 31, 2010. See "Selected Statistical Information—Loan Portfolio" and the footnotes to the tables included therein.

Terms Relating to our Capital Adequacy

As used in this offering memorandum, the following terms relating to our capital adequacy have the meanings set forth below, unless otherwise indicated.

- "*Total capital*" or "*total net capital*" refers to total net capital (*capital neto*), as such term is determined based on the Mexican Banking Law and the Rules for Capitalization referred to below.
- "*Tier 1 Capital*" refers to the basic portion (parte básica) of the total net capital, as such term is determined based on the Rules for Capitalization.
- *"Tier 2 Capital"* refers to the additional portion (*parte complementaria*) of the total net capital, as such term is determined based on the Rules for Capitalization.
- "*Capital Ratio*" refers to the ratio of the total net capital (capital neto) to risk-weighted assets calculated in accordance with the methodology established from time to time by the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) or the CNBV, as the case may be, pursuant to the Rules for Capitalization and the Mexican Capitalization Requirements.
- "Rules for Capitalization" means until May 1, 2010 the Rules for Capitalization Requirements of Commercial Banks and National Credit Institutions (Reglas para los requerimientos de capitalización de las instituciones de banca múltiple y las sociedades nacionales de crédito, instituciones de banca de desarrollo) published in the Official Gazette on November 23, 2007, and as of May 1, 2010, the provisions regulating the capitalization of banks included in the General Rules for Banks as such regulations may be amended or superseded.
- "*Mexican Capitalization Requirements*" refers to the capitalization requirements for commercial banks set forth under the Mexican Banking Law and the General Rules for Banks, as such regulations may be amended or superseded.

Other Definitions

The following additional definitions are used in this offering memorandum:

- "*General Rules for Banks*" means the General Rules Applicable to Mexican banks (*Disposición de Carácter General Aplicables a las Instituciones de Crédito*) published by the CNBV in the

Official Gazette on December 2, 2005, as such regulations have been amended and may be further amended from time to time.

- "Mexican Stock Exchange" means the Bolsa Mexicana de Valores, S.A.B. de C.V.

- "*Mexico*" means the United Mexican States.

- "*Repurchase Agreement*" means a Mexican law governed repurchase and resale agreement (*reporto*) pursuant to which a party agrees to a temporary purchase or sale of securities in exchange for (1) a specified premium to be paid or received, and (2) the obligation to resell or repurchase the underlying security. Repurchase agreements may or may not be secured.

- "*Sofol*" means limited purpose financial entities, or *sociedades financieras de objeto limitado*.

- "*Sofom*" means multi-purpose financial entities, or *sociedades financieras de objeto múltiple*.

Rounding Adjustments

Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures preceding them.

Market Share and Ranking Information

Unless otherwise indicated, the market share and ranking information included in this offering memorandum is derived from statistics of the CNBV or the Mexican Banking Association (*Asociación de Bancos de México A.C.*), each as of December 31, 2010.

OFFERING MEMORANDUM SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this offering memorandum. For a more complete understanding of us and the offering made herein, you should read the entire offering memorandum, including the risk factors and the financial statements appearing elsewhere in this offering memorandum.

The Bank

We are a leading multi-purpose bank with limited liability organized under Mexican law. We provide a wide range of banking, securities and financial services to approximately 265,000 companies and government entities, and to over 16.3 million retail customers throughout Mexico. As of December 31, 2010, we had total assets of Ps.1,098,162 million and total deposits (including local bank bonds) of Ps.617,335 million. In 2010, our net income was Ps.22,541 million and our stockholders' equity was Ps.109,412 million. As of December 31, 2010, based on total assets, deposits and equity, we were the largest bank in Mexico.

We are the principal subsidiary of Grupo Financiero BBVA Bancomer S.A. de C.V., a Mexican financial services holding company ("GFBB"). GFBB is controlled and substantially all of its capital stock is beneficially owned by Banco Bilbao Vizcaya Argentaria, S.A., a leading Spanish bank ("BBVA"). As of December 31, 2010, we accounted for approximately 99% of GFBB's total assets and approximately 84% of GFBB's net income.

We provide a wide variety of banking products and services in Mexico through a nationwide network of 1,797 branches, 6,760 ATMs, 126,002 point of sale terminals and through our website www.bancomer.com. We are focused on offering our services in an efficient manner, and approximately 80% of our banking transactions are completed electronically (primarily through ATMs and other remote channels). We are present in all 32 states in Mexico, and according to information from CNBV as of December 31, 2010 we are leaders in 28 out of 32 Mexican states in terms of total deposits.

Our commercial activity has been growing over the last three years at an average rate above GDP economic growth. Compounded annual growth for our performing loan portfolio was 6.2% from 2008 to 2010, while total deposits (including demand and time deposits) showed a compounded annual growth of 6.1% during the same period.

Despite the deterioration of the global macroeconomic environment over the last two years, our loan portfolio grew while maintaining a sound asset quality. Total non-performing loans as percentage of total loans equaled 2.5% in 2010, a decrease compared with the ratio of 3.8% in 2009 and of 3.2% in 2008. Our loan portfolio mix has changed over the last three years with consumer loans beginning to decrease in 2008 compared to an on going increase of commercial and mortgage loans. In 2009 and 2010, our loan portfolio was predominantly comprised of commercial loans, which includes loans to corporates, middle-market costumers, financial entities, housing developers, government entities and municipalities.

Our net income decreased 6.6% in 2008, grew 0.5% in 2009, and grew 22.2% in 2010, in each case as compared to the previous year. Net income increased in 2010 as compared to 2009 as a result of the combination of strong total operating revenues mainly due to a decrease in our interest expense and lower provisions for loan losses attributable to an improvement in the overall quality of our loan portfolio. Our performing loan portfolio grew 11.1% in 2008, 0.6% in 2009 and 12.0% in 2010, in each case as compared to the previous year.

We operate through a number of divisions, mainly:

- retail banking;
- middle market banking;
- government banking;
- mortgage banking; and

- corporate and investment banking.

The Mexican financial market is a highly competitive industry. As of September 30, 2010, a total of 41 banks operated in Mexico. We hold the leading position in the following business lines:

	As of December 30, 2010[1]	
	Market Share	Rank
Total assets	21.4%	1
Total deposits	24.6%	1
Total peso-denominated bond issuances[2]	27.0%	1
Total loans	25.9%	1
Number of branches	15.9%	1

(1) Source: CNBV, except as otherwise noted. Market share includes not only commercial banks but also limited-purpose financial institutions (Sofoles).
(2) Source: Valmer

Our principal subsidiaries include:

- Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (“AFORE Bancomer”), a pension fund management company; and

- *BBVA Bancomer USA, Inc*, (formerly known as BBVA Bancomer Financial Holdings, Inc.) a holding company through which we hold our operations in the United States, including Bancomer Transfer Services, Inc. (“BTS”), a money remittance services company based in the United States; Bancomer Financial Services, Inc. (“BFS”), an agent for BTS in the State of California for money transfers and bill payments; and Bancomer Foreign Exchange, Inc. (“BFX”), a currency exchange company and agent of BTS in Texas.

See “Banking divisions–Business through subsidiaries and affiliates.”

Organizational Structure

We are the principal subsidiary of GFBB, a Mexican financial services holding company.

In addition to our own products and services, we distribute and earn fee income and commissions from a wide range of financial and related products and services in Mexico for GFBB and other affiliates, including:

- bank assurance products on behalf of *Seguros BBVA Bancomer, S.A. de C.V.*;

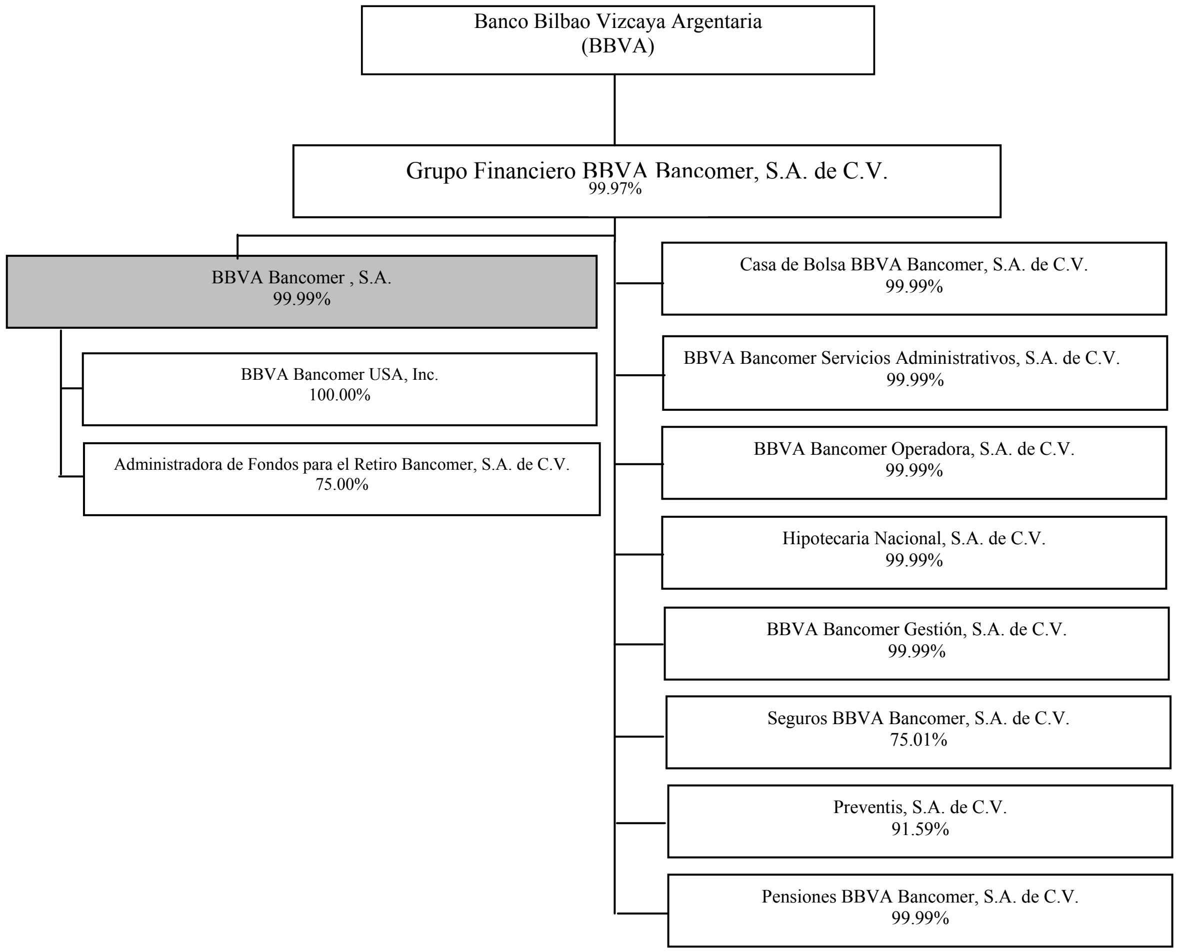
- mutual funds on behalf of BBVA Bancomer Gestión, S.A. de C.V.;

- brokerage services on behalf of Casa de Bolsa BBVA Bancomer, S.A. de C.V.;

- pension fund management on behalf of *Pensiones Bancomer, S.A. de C.V.*; and

- mortgage loans on behalf of *Hipotecaria Nacional, S.A. de C.V.* (“Hipotecaria Nacional”).

The following chart presents our current holding organizational structure and that of GFBB, including principal subsidiaries and affiliates, and respective ownership interests:



Our headquarters are located at Avenida Universidad No. 1200, Colonia Xoco, Mexico City, Mexico 03339. Our telephone number is (5255) 5621-3434. See "The Bank—Properties."

Our History

General

Our origins can be traced back to *Banco de Comercio, S.A.*, which was founded in 1932 in Mexico City. In 1977, various institutions comprising the Banco de Comercio Group were consolidated into a multi-purpose bank under the name of "Bancomer." The merger enabled us to maintain our strong ties with local communities throughout Mexico and begin offering the services of a national banking network.

Bancomer was nationalized by the Mexican government in 1982 along with nearly all other commercial banks in Mexico. As part of the subsequent privatization process, in 1991, a core group of Mexican investors led by Eugenio Garza Lagüera incorporated Grupo Financiero Bancomer ("GFB"), to acquire 56% of Bancomer's outstanding capital stock directly from the Mexican government.

GFB subsequently increased its ownership of Bancomer through acquisitions and, in 1993, the Mexican government exchanged its remaining stake in Bancomer for shares of GFB's capital stock, which gave GFB control of nearly 100% of Bancomer's outstanding capital.

BBVA's investment in GFB

In 2000, BBVA acquired operating control of Grupo Financiero Bancomer, S.A. de C.V., which was renamed Grupo Financiero BBVA Bancomer, S.A. de C.V. As a result of a merger of Grupo Financiero BBV-Probursa, S.A. de C.V. ("BBV-Probursa"), an indirect subsidiary of BBVA and the parent of Banco Bilbao Vizcaya Mexico, S.A. ("BBV-Mexico"), into GFB in July 2000, BBVA obtained approximately 30% interest in the outstanding capital of GFB. As a result of a series of transactions effected between January 2002 and March 2004, BBVA acquired approximately 99.9% of the capital stock of GFBB.

Following BBVA's initial investment in GFB in 2000, we grew as a result of our September 2000 merger with Promex, an insolvent bank that had been acquired by the Mexican government, and, to a lesser extent, the transfer of a substantial portion of the traditional banking business of BBV-Mexico to us in 2001. As part of such transfer, certain of our assets and activities, including our ATM network, were transferred to BBV-Mexico. In connection with such transfer, we were renamed BBVA Bancomer, S.A., Institución de Banca Múltiple and BBV-Mexico was renamed BBVA Bancomer Servicios, S.A., Institución de Banca Múltiple, or BBVA Bancomer Servicios.

We are a Mexican company authorized to exist and operate as a foreign-owned subsidiary bank. 100% of our capital is owned by GFBB a foreign-owned subsidiary holding company, whose capital, in turn, is 99.97% owned by BBVA.

On August 1, 2009, we entered into a merger agreement through which BBVA Bancomer Servicios S.A. was merged into BBVA Bancomer, resulting in one financial institution. As a result of this merger, all former business activities of BBVA Bancomer Servicios, S.A., including trust and ATM services, are now wholly-owned and carried out by BBVA Bancomer.

Strategy

Our central strategy consists in continuously increasing the profitability of our business through permanent and long-term growth that will enable us to continue being the leading bank in the Mexican financial market. Future growth will be supported by our customer-driven business model that provides specialized attention to each type of customer.

In 2010, we completed a three-year strategic plan focused on increasing innovation and enhancing long-term productivity. Our commercial network productivity, a measure of the number of products (specifically demand deposits accounts, credit cards, consumer loans, small business loans, mortgage loans, insurance and direct debit) sold per branch executive each month, increased 7.4% in 2008, 22.2% in 2009 and 16.8% in 2010. During 2010, we launched a new strategic plan focusing on the unique market opportunities that Mexico offers to continue growing and diversifying our financial services. This new strategic plan is based on three areas of focus:

- *Customers*: They are the center of our business, and it is our principal objective to offer a differential approach to each customer segment,

- *Distribution*: We seek to create an integrated multichannel distribution model, enhancing our current distribution network with user-friendly channels based on current and enhanced technology, and

- *Simplicity and Efficiency*: We seek to improve our processes to make them simple and more efficient not only to simplify matters for customers but also to allow us to operate on an efficient and transparent basis.

This new strategic plan includes 34 initiatives involving substantially all of business and administrative units and represents an ambitious investment plan intended to enhance our business model, our service, our commercial efficiency, risk control and profitability.

Our strategy focuses on developing the following areas:

Customer base

The principal focus of our new strategic plan is a corporate wide understanding of our customers as the center of our business. Initiatives to advance to this new strategic plan include cross-selling in all our client segments, creating new value-added products and customized solutions such as *Tarjeta Negocios* and *MicroNegocios* for the small businesses segment and enterprise investment banking for middle-sized enterprises. See "Banking divisions—Retail banking—Micro and small businesses; self-employed individuals."

A central part of this approach is to continue growing our customer base and to reach new segments and new markets. As of December 31, 2010, we had 16.3 million individual customers, including approximately 265,000 companies, including large corporations, small and medium-sized enterprises and small businesses, and 7,157 government customers.

We view customer service as a top priority, as we consider it to be one of the differentiating elements that enable us to have a market advantage in a highly competitive financial services industry. To further improve our customer satisfaction, we have enhanced our products and channels of delivery that are most valued by our customers, allowing us to achieve enhanced service levels.

We have developed a new metric that links our growth with customer recommendation, as measured by the Net Promoter Score ("NPS") methodology. NPS is a strict measure that detects opportunities through an effective mechanism that allows us to identify the causes of satisfaction and dissatisfaction amongst our customers and prioritize critical areas of improvement. These measures are designed to generate recommendations by our customers to potential new customers. During 2010, the NPS methodology was implemented in all our business units and in our branches improving our measure of customers' satisfaction to enhance the quality of our services.

Another initiative to improve customer satisfaction is the program Bancomer Q, which seeks primarily to increase our service and maintain the preference of our customers. This program monitors the most important advances and improvements in the services provided through our retail branches. Branches are qualified according to different characteristics: Q Category, when the service is being completed with a certain level of quality according to diverse indicators and it is positively valued by customers; Blue Category, when branches maintain optimal levels in their indicators and keep the Q Category for three consecutive months; Silver Category, when the Blue Category is kept for more than six months; Gold Category, when excellence in service is obtained and a Silver Category is maintained for six months. During 2010, 59% of our retail branches where certified as Bancomer Q. The remaining 41% are undergoing a certification process. Meanwhile, the service quality at these branches is measured through customer surveys.

In order to increase our customers confidence in our services, during 2010 we continued to develop the program Garantías Bancomer, which is focused on providing aggregate value and strengthening our long-term engagement with our customers by offering specific guarantees to processes that are highly valued by our customers including an efficient response time for customer inquiries and complete reimbursement and liability coverage for fraudulent credit and debit card purchases.

With respect to preferred and VIP customers, we have made a complete segmentation of lines in our retail branches to reduce their waiting time. Preferred customers are assured that they will wait no more than 5 minutes in line and are assisted by a specialized executive. This new focus in branches has permitted us to better attend to our VIP customers and has increased productivity.

We have made considerable attempts to reduce branch traffic through the installation of electronic payment systems, lowering also the number of customers waiting for tellers despite experiencing an important increase in the number of transactions and customers. As of December 31, 2008, 24.1% of total banking transactions were made through tellers. As of December 2009, this number was reduced to 20.5% and as of December 31, 2010, this number was further reduced to 19.6%. Our new strategic plan aims to continue reducing branch teller traffic by enhancing the self-service model in our branches. We intend to increase the number of ATMs and upgrade them technologically to provide our clients with a wider range of electronic transactions. With this initiative we expect to reduce the cost of teller transactions and increase productive time for our branch executives to focus on selling value added products and achieving customer satisfaction. Also, as part of our new strategic plan, we intend to invest in expanding our infrastructure by increasing the number of branches, ATMs, points of sale (POS) and to increase the number of POS through correspondent banking agreements. During 2010, we were authorized by CNBV to enter into correspondent bank agreements with several commercial partnerships and executing these agreements we expect to offer customers the possibility to make deposits, pay credit cards and services, and benefit from other financial services, in the store locations and establishments of each of our commercial partners, including OXXO, Farmacias Benavides, Chedraui, WalMart, among others.

Besides increasing our penetration within our customer base, we believe that we can provide diverse financial services to a significant portion of the Mexican population that is not currently served by the banking system. We intend to focus on opportunities to increase lending to these under-served segments of the population and broaden our offering of loans, including loans to micro, small and middle-market customers, such as working capital and fixed-asset financing, and loans to consumers, such as payroll loans. We intend to undertake all such lending based on careful risk analysis, knowledge of our customers, fine-tuning our credit terms and, to the extent necessary, our customer monitoring and collection processes. As an example of our actions to increase financial penetration in underserved segments of the population, in 2010 we launched the Cuenta Express, the first debit account in the market linked to a mobile phone number that offers the customer the possibility to make basic financial transactions through cellular phone technology.

Risk management

Our risk management strategy has facilitated our profit growth and controlled risk. We consider risk control to be a central part of our strategy, acting as a key differentiator and as a tool for future growth and profitability.

Over the last two years, we have fully consolidated our internal credit risk model, and we have developed advanced risk modeling tools for accurately measuring credit risk. For example, our internal model for credit provisioning for the credit card portfolio has been recently certified simultaneously by Banco de España, Spain's central bank, and the CNBV. Also, this is reflected in the positive performance of risk indicators such as the "risk premium", this is, provisions for loan losses divided by average loan portfolio:

	Risk Premium		
	2008	**2009**	**Sept 2010**
		(%)	
Bancomer	4.9	5.3	4.0
Banamex	9.2	7.2	4.9
Santander	6.7	7.0	4.7
HSBC	7.8	8.8	6.7
Banorte	3.2	3.5	2.8
Scotiabank	3.2	3.0	2.5
Market without Bancomer	6.7	6.7	4.4

Source: Quarterly financial reports of Financial Groups as of September 30, 2010.

We seek to control credit risk, asset quality and costs in all stages of the credit cycle (origination, follow-up and recovery) through the implementation of advanced tools and methodologies. We have a unit named "Customer Insight" specially focused on developing in-depth knowledge of our customers by individualizing every costumer based on its credit behavior to offer customized payment solutions. As part of our new strategic plan, we expect to improve our risk platform and modeling tools.

We have a clear objective of positively managing operational risk with structures based on tracking and correctly managing processes. In addition, we have introduced extensive internal risk management and control systems that involve all personnel and areas of the institution. Such programs focus on measuring, tracking and preventing potential risks, money laundering and financing of terrorist activities.

Leadership

As of December 31, 2010, a total of 41 banks operate in the highly competitive Mexican financial industry where we hold a leadership position (as described above) with respect to the following: total assets, total deposits, total loans, peso-denominated bond issuances and number of branches.

To increase our profitability and commercial activity, we seek to retain and enhance our leadership position. We expect to keep our leading position through the development of strategies and programs to increase long-term productivity, change processes significantly and develop new business models. In addition, we must keep expanding our distribution network through continuous investments in capital expenditures.

Efficiency and innovation

We seek to increase efficiency by developing technologies related to productivity. By introducing advanced technology in our processes, product development, service quality metrics and methodologies, we have been able to continuously detect and analyze significant areas where improvements can be made.

According to the CNBV, as of December 31, 2008, our efficiency ratio was 39.2%, as of December 31, 2009, our efficiency ratio reached 39.3%, and as of December 31, 2010, our efficiency ratio reached 42.5%, one of the best efficiency levels in the Mexican financial system. The deterioration in our efficiency ratio from December 2009 to December 2010 was due to higher expenses due to greater investment in infrastructure, innovation and technology to increase the number of ATMs from 6,237 in 2009 to 6,760 in 2010 and the number of POS from 120,043 to 126,002 in 2010.

We believe that one of the most important aspects of our strategy going forward will be to continue to seek ways to improve our operating efficiency and increase our core earnings. We intend to continue to accomplish these goals by seeking to reduce our funding costs through selective market and bank offerings, maintaining a low-cost deposit base and concentrating our efforts on higher margin products and services. We seek to maintain this advantage by focusing on core earnings and maintaining strict expense policies without affecting investment and business growth. We intend to continue to improve efficiencies through specialized training of our personnel, increased use of automated data and related systems and the use of external suppliers for non-strategic activities rather than in-house services when it is more cost-effective.

During the last few years, we have incorporated new customer service initiatives at our retail branches, like "Express Modules" (units located in branches to answer customers' questions not related to sales of our banking products), including promoting the use of ATMs to reduce branch traffic. In 2009, we launched a new generation of ATMs called *Recicladores* that are aimed at providing banking services at a sustainable cost through our business partnerships resulting from the re-use of customers' cash collected by our partner's businesses. Additionally, we introduced *Practicajas*, another type of ATM with lower transaction costs, which allows our customers to make deposits, transfers to third parties, credit card payments and borrowings.

Our customers continue to take advantage of our online banking services offered through our website. As of December 31, 2010, our internet portal clients were 1.4 million with approximately 660 million financial transactions, significantly more than the 534 million transactions in 2009, and 420 million in 2008. In 2010, our website was chosen as the Best Financial Portal in Mexico by the Mexican Internet Association (AMIPCI) and the Latin American Institute for Electronic Commerce (ILCE).

Corporate reputation and responsibility

We seek to act in accordance with our corporate principles and policies, including our commitment to social responsibility. We have a firm commitment to add value not only to customers, shareholders and employees but also to the entire society.

The following items represent the main corporate principles of the BBVA Group:

- ***Customer Value***: The customer as the focus of our business.
- ***Creation of Value***: The creation of value for our shareholders through our business.
- ***Team***: The team as the gateway for value creation.
- ***Management Style***: A management style that generates enthusiasm.

- ***Ethical***: Ethical conduct and personal and professional integrity as a way of understanding and developing our business.

- ***Innovation***: Innovation as a key for progress.

- ***Social Responsibility***: Corporate social responsibility as a pledge to development.

We are also fully committed to supporting Mexico's development, especially through *Fundación Bancomer*, our foundation that primarily supports education through various projects. We assign 1% of our net income on a yearly basis to the *Fundación Bancomer's* budget. Its most significant project includes a scholarship program called *Por los que se quedan*, which grants scholarships to children coming from disintegrated families due to migration. As of December 31, 2010, this program reached 18 states and 143 municipalities. Since the beginning of its operation, *Por los que se quedan* has granted a total of 20,600 scholarships, totaling Ps.150 million.

We are also focused on increasing financial education in Mexico through our program *Educación Financiera*, which provides users guidance on banking products and services. We hold various workshops that seek to educate users on savings, credit cards and mortgage loans. We have been able to deliver these workshops in an easy-to-access format, using our retail branches, or through mobile classrooms or electronic channels such as our website. Since we launched this project in 2008, we have offered more than 300,000 financial education courses to participants.

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Notes, see "Description of the Notes."

Issuer	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, acting through its Texas Agency.
Notes	U.S.$750,000,000 aggregate principal amount of 4.500% Fixed Rate Senior Notes due 2016.
Unsecured; Not Guaranteed	The Notes will not be secured nor guaranteed by the IPAB or any Mexican governmental agency, or by any other entity that is part of Grupo Financiero BBVA Bancomer, and, by their terms, the Notes are not convertible into shares of our common stock.
Issue Price	99.285% of the principal amount.
Issue Date	March 10, 2011.
Maturity Date	March 10, 2016.
Interest and Principal	The Notes will bear interest from (and including) March 10, 2011, or the "Issue Date," up to (but excluding) the Maturity Date at a fixed rate per annum equal to 4.500%, payable semi-annually in arrears on March 10 and September 10 of each year (each an "Interest Payment Date"), commencing on September 10, 2011. The period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date up to (but excluding) the Maturity Date is called an "Interest Period." If any Interest Payment Date would otherwise fall on a date that is not a Business Day, as defined in "Description of the Notes", the required payment of interest shall be made on the next succeeding Business Day, with the same force and effect as if made on such Interest Payment Date, and no further interest shall accrue as a result of the delay. Principal will be paid on the Maturity Date unless the Notes have been redeemed prior thereto as provided in this offering memorandum.
Redemption	We may not redeem the Notes, in whole or in part, other than as described below under "Withholding Tax Redemption."
Withholding Tax Redemption	We have the option under the indenture for the Notes to redeem the Notes at any time prior to the Maturity Date, in whole but not in part, at par plus accrued and unpaid interest due on, or with respect to, such Notes upon the occurrence of a Withholding Tax Event (which event happens upon the occurrence of certain changes in tax law and the satisfaction of certain conditions, and is described in "Description of the Notes—Redemption—Withholding Tax Redemption") affecting the Notes (a "Withholding Tax Redemption").
Ranking	The Notes will rank pari passu without preference among themselves and with all our other Senior Indebtedness, as defined below. The

	Notes will be effectively subordinated to (i) all of our secured indebtedness with respect to the value of our assets securing that indebtedness, (ii) certain direct, unconditional and unsecured general obligations that in case of our insolvency are granted preferential treatment pursuant to Mexican law and (iii) all of the existing and future liabilities of our subsidiaries, including trade payables.
Use of Proceeds	Our net proceeds from the issuance of the Notes are estimated to be approximately U.S.$743,025,000.00. We intend to use the net proceeds of the issuance of the Notes to strengthen our capital structure and for general corporate purposes.
Events of Default, Notice and Waiver.....	For a discussion of certain events of default that will permit acceleration of the principal of the Notes plus accrued and unpaid interest, and any other amounts due with respect to the Notes, see "Description of the Notes—Events of Default, Notice and Waiver."
Payment of Additional Amounts............	All payments made by or on our behalf in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Mexico or the United States or any other jurisdiction through which payments are made (each a " Relevant Jurisdiction") or any authority or agency therein or thereof having power to tax (collectively, "Relevant Tax") unless the withholding or deduction of such Relevant Tax is required by law. In that event, we will pay as further distributions of interest and principal such additional amounts ("Additional Amounts") as may be necessary so that the net amounts received by the holders or beneficial owners of the Notes or their nominees (collectively, holders) after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction. Subject to certain limitations. See "Description of the Notes–Payment of Additional Amounts." We will also pay any stamp, administrative, court, documentary, excise or similar taxes arising in a Relevant Jurisdiction in connection with the Notes and will indemnify holders for any such taxes paid by the holders. See "Description of the Notes—Payment of Additional Amounts."
Listing..	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the notes admitted to trading on the Euro MTF market. No assurance can be given that the Notes will be approved for listing on the Luxembourg Stock Exchange and trading on the Euro MTF market.
ERISA Considerations	Sales of the Notes to specified types of employee benefit plans and affiliates are subject to certain conditions. See "Certain ERISA Considerations."
Transfer Restrictions................................	The Notes have not been registered under the Securities Act and, unless so registered, may not be offered or sold except (1) to qualified institutional buyers, or QIBs (as defined in Rule 144A under the Securities Act), in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or (2) in an offshore transaction complying with Rule 903 or Rule 904 of

	Regulation S under the Securities Act. See "Transfer Restrictions."As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Notes outside of Mexico. The Notes will not be registered in the National Registry of Securities maintained by the CNBV and may not be offered, or sold publicly or otherwise be subject to brokerage activities in Mexico, except pursuant to the private placement exemptions set forth in Article 8 of the Mexican Securities Market Law.
Governing Law	The indenture, the Notes and related documents will be governed by the law of New York.
Form and Denomination	The Notes will be issued in minimum denominations of U.S.$150,000 and integral multiples of U.S.$1,000 and will, once issued, be represented by one or more global notes. The global notes representing the Notes will be deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee for DTC. DTC will act as depositary.
Securities Identification Numbers...........	144A ISIN: US05533UAA60 144A CUSIP: 05533UAA6 Reg S ISIN: USP16259AA47 Reg S CUSIP: P16259AA4
Indenture..	The Notes will be issued under an indenture, dated as of March 10, 2011 among us and The Bank of New York Mellon as trustee, registrar, paying agent and transfer agent and the The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent, transfer agent and listing agent.
Rating	We expect that the Notes will be rated "A1" by Moody's Investor Service, Inc. ("Moody's), and "A-" by Fitch, Inc. ("Fitch"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.

RISK FACTORS

Prospective purchasers of the Notes should carefully read this entire offering memorandum. Purchasers should consider, among other things, risk factors with respect to Mexican banks and other corporations not normally associated with investments in other countries and other issuers, including those set forth below.

Risks Relating to our Business

Our results of operations have been, and may continue to be, adversely affected by U.S. and international financial market and economic conditions.

In recent years, the global economy underwent a period of slowdown and unprecedented volatility and was adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment, decline in interest rates and erosion of consumer confidence. Some uncertainty remains concerning the future economic environment. The global economic slowdown and the U.S. economic slowdown in particular had a negative impact on the Mexican economy and have adversely affected our business. There is no assurance when such conditions will ameliorate.

In particular, we may face, among others, the following risks related to the economic downturn:

- We potentially face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.
- The process we use to estimate losses inherent in our credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates, which may, in turn, impact the reliability of the process.
- The value of the portfolio of investment securities that we hold may be adversely affected.
- A worsening of the foregoing conditions may delay the recovery of the financial industry and impact our financial condition.

If all or some of the foregoing risks were to materialize, this could have an adverse effect on us.

Intensified competition may adversely affect our operational margin.

We face significant competition from other Mexican banks in providing financial services to the Mexican retail and corporate banking sectors and from international financial institutions. Our main competitors are Banco Nacional de Mexico, S.A., or Banamex, a subsidiary of Citigroup, Inc., Banco Santander México S.A., a subsidiary of Banco Santander Central Hispano, S.A., HSBC Mexico, S.A., a subsidiary of HSBC, Banco Mercantil del Norte, S.A., or Banorte, and Scotiabank Inverlat, S.A., or Scotiabank, a subsidiary of Scotiabank.

Pursuant to the requirements of the North American Free Trade Agreement, or NAFTA, and the Free Trade Agreement between Mexico and the European Union (*Tratado de Libre Comercio entre los Estados Unidos Mexicanos y la Comunidad Europea y sus Estados Miembros*), and the Free Trade Agreement between Mexico and Japan (*Acuerdo para el fortalecimiento de la Asociación Económica entre los Estados Unidos Mexicanos y el Japón*), non-Mexican financial institutions incorporated in the United States, Canada, member states of the European Union, Japan and other countries that have entered into a free trade agreement with Mexico are now permitted to establish subsidiary financial groups, banks, broker-dealers and other financial entities in Mexico. According to the CNBV, as of December 31, 2010, Mexico's ten largest domestic banks, measured in terms of assets, held 88% of the total assets in the Mexican banking system. Five of these ten banks are foreign-owned.

We expect consolidation to continue in the Mexican financial services industry and a stronger competition which may come through mergers and acquisitions or the entry of new players. The Ministry of Finance and Public Credit has granted a number of banking licenses for the establishment and operation of several new banking institutions and it is likely to continue granting banking licenses to new participants.

In addition, legal and regulatory reforms in the Mexican banking industry have also increased competition among banks and among other financial institutions. We believe that the Mexican government's policies of adopting market-oriented reforms in the financial industry have brought greater competition. As financial sector reform continues, foreign financial institutions, some with greater resources than us, have entered and may continue to enter the Mexican market either by themselves or in partnership with existing Mexican financial institutions and compete with us. There can be no assurance that we will be able to compete successfully with such domestic or foreign financial institutions or that increased competition will not have a substantial adverse effect on our competitive edge.

Mexican government regulations may adversely affect our operating results and financial condition, and the value of our assets may be impaired due to regulatory initiatives and procedures.

We are subject to extensive regulation regarding our organization, operations, capitalization, transactions with related parties and other matters. These laws and regulations impose numerous requirements on us, including the maintenance of minimum risk-based capital levels and loan loss reserves, regulation of our business practices, diversification of our investments, maintenance of liquidity ratios, regulation of loan granting policies and interest rates charged, and application of required accounting regulations. Many of the applicable laws and regulations have changed extensively in recent years, with a negative impact on our financial position and results of operations. There may be future changes in the regulatory system or in the enforcement of the laws and regulations that could adversely affect us.

As a result of the economic crisis in Mexico in late 1994 and 1995, all Mexican banks, including us, experienced rapidly escalating levels of non-performing assets. Mexican regulatory authorities and the banking system responded to this crisis in several ways, including:

- Imposing stringent loan loss reserve requirements and capitalization standards;
- Adopting programs designed to provide relief to Mexican borrowers in connection with the restructuring of outstanding loans; and
- Revising Mexican Banking GAAP to impose stringent requirements with respect to the non-performing and non-accrual status of certain loans.

As a reaction to the 2008 economic crisis in 2009, Mexican regulatory entities further increased loan loss reserves requirements. See also notes 3 and 4 to our audited financial statements included elsewhere in this offering memorandum.

The result of these initiatives was to cause Mexican banks, including us, to report continuing and persistent asset quality problems and record relatively large loan loss provisions. We believe that recoveries of non-performing loans as a percentage of our total non-performing loan portfolio are likely to decline over time because of the aging of our non-performing loan portfolio. In addition, because foreclosure procedures on collateral in Mexico can take a long time, delays or other factors may impair the value of the collateral during the foreclosure process.

Loan loss reserves requirements in Mexico differ from those in the United States and other countries.

Except for loans to the Mexican government and Banco de México, IPAB and certain international organizations, we are required to classify each loan or type of loan according to an assessment of risk based on criteria set forth by Mexican banking regulations and to establish corresponding reserves. The criteria to establish reserves include both qualitative and quantitative factors. Mexican banking regulations relating to loan classification and determination of loan loss reserves are generally different and may be less stringent than those applicable to banks in the United States and certain other countries. The Mexican government has enacted new rules regarding the manner in which Mexican banks classify loans and determine loan loss reserves. In particular, in 2009, the CNBV approved new rules for provisions for loan losses of the credit card loan portfolio according to expected loss methodology. These rules allow banks to use additional objective and subjective factors in determining loan loss reserves. If the rules applicable in the United States were applicable in Mexico today, the level of our loan loss reserves may be required to be higher than the reserves currently recorded.

We may be required or deem it necessary to increase our loan loss reserves in the future. Increasing loan loss reserves could adversely affect our results of operations and financial position and our ability to pay amounts due on the Notes.

We engage in transactions with subsidiaries or affiliates of BBVA that may not be on an arm's length basis.

No assurance can be given that transactions between us and any of BBVA's subsidiaries or affiliates (including subsidiaries or affiliates of our parent company, GFBB) have been or will be conducted on a basis as favorable to us as could be obtained by us from unaffiliated parties. We have entered into services agreements with our affiliates and are likely to continue to engage in transactions with BBVA and its subsidiaries or affiliates, and no assurance can be given that we will do so on an arm's length basis. In addition, future conflicts of interest between us and BBVA or any of its subsidiaries or affiliates may arise; these conflicts are not required to be and may not be resolved in our favor. See "Related Party Transactions—Affiliate Transactions."

There can be no assurance that future transactions involving BBVA or any of its affiliates or subsidiaries will not have an adverse effect on our financial condition.

Liquidity risks may adversely affect our business.

Many Mexican banks have suffered severe liquidity problems from time to time since December 1994, particularly in connection with refinancing short-term U.S. dollar liabilities in the international capital markets.

We anticipate that our customers will continue, in the near future, to make short-term deposits (particularly demand deposits and short-term time deposits), and we intend to maintain our emphasis on the use of banking deposits as a source of funds. The short-term nature of this funding source could cause liquidity problems for us in the future if deposits are not made in the volumes we expect or are not renewed.

We cannot assure you that liquidity problems will not affect the Mexican banking system in the future or that liquidity constraints will not affect us in the future. While we expect to be able to pay or refinance our projected liabilities, we cannot assure you that we will be able to repay our liabilities or refinance our liabilities on favorable terms.

Currency and interest rate risks may adversely affect our trading portfolio.

We are exposed to currency risk any time that we hold an open position in a currency other than pesos and to interest rate risk to the extent we have an interest rate repricing gap or carry interest-earning securities having fixed real or nominal interest rates. Because of the volatility in peso exchange rates and interest rates in Mexico, the risks associated with such positions may be greater than in certain other countries. Our foreign currency liabilities are subject to regulation by the Banco de México when determining limits to our regulatory capital. Although we follow various risk management procedures in connection with our trading and treasury activities, we cannot assure that we will not experience losses with respect to these positions in the future, any of which could have an adverse effect on our results of operations and financial position.

Failure to successfully implement and continue to improve our credit risk management system could materially and adversely affect our business operations and prospects.

As a commercial bank, one of the main types of risks inherent in our business is credit risk. We may not be able to improve our credit risk management system so that it can function effectively. For example, an important feature of our credit risk management system is to employ an internal credit rating system to assess the particular risk profile of a customer. As this process involves detailed analyses of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, our employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in our exposure to higher credit risks than indicated by our risk rating system. In addition, we have been trying to refine our credit polices and guidelines to address potential risks associated with particular industries or types of customers, such as affiliated entities and group customers. However, we may not be able to timely detect these risks before they occur, or due to limited resources or tools available to us, our employees may not be able to effectively implement them, which may increase our credit risk. As a result, failure to effectively implement, consistently follow or continuously refine our credit risk management system may result in a higher risk exposure for us, which could materially and adversely affect us.

If we are unable to effectively control the level of non-performing or poor credit quality loans in our current loan portfolio and in new loans we extend in the future, or if our loan loss reserves are insufficient to cover actual loan losses, our financial position and results of operations may be materially and adversely affected.

Non-performing or low credit quality loans can negatively impact our results of operations. We cannot assure you that we will be able to effectively control and reduce the number of impaired non-performing loans in our loan portfolio. In particular, the amount of our reported non-performing loans may increase in the future as a result of growth in our loan portfolio or factors beyond our control, such as the impact of macroeconomic trends and political events affecting Mexico or events affecting given industries. In addition, while we believe our current loan loss reserve is adequate to cover all loan losses in our loan portfolio, our current loan loss reserves may prove to be inadequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of our loan portfolio. As a result, if our credit quality deteriorates we may be required to increase our loan loss reserves, which may adversely affect us. Moreover, there is no precise method for predicting loan and credit losses, and we cannot assure you that our loan loss reserves are or will be sufficient to cover actual losses. If we are unable to control or reduce the level of our non-performing or poor credit quality loans, our financial position and results of operations could be materially and adversely affected.

We may need additional capital in the future, and may not be able to obtain such capital on acceptable terms, or at all.

In order for us to grow, remain competitive, enter into new businesses, or meet regulatory capital adequacy requirements, we may require new capital in the future. Moreover, we may need to raise additional capital in the event of large losses in connection with any of our activities that result in a reduction of our stockholders' equity. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- our future financial position, results of operations and cash flows;
- any necessary government regulatory approvals;
- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- economic, political and other conditions in Mexico and elsewhere.

We may not be able to obtain additional capital in a timely manner or on acceptable terms or at all.

Reductions in our credit ratings or those of any of our subsidiaries could increase our cost of borrowing funds and make our ability to raise new funds, attract deposits or renew maturing debt more difficult.

Our credit ratings are an important component of our liquidity profile. Among other factors, our credit ratings are based on the financial strength, credit quality and concentrations in our loan portfolio, the level and volatility of our earnings, our capital adequacy, the quality of management, the liquidity of our balance sheet, the availability of a significant base of core retail and commercial deposits, and our ability to access a broad array of wholesale funding sources. Our lenders and counterparties in derivatives transactions are sensitive to the risk of a ratings downgrade. A downgrade in our credit ratings or those of our subsidiaries could increase the cost of refinancing our existing obligations, raising funds in the capital markets or of borrowing funds from private lenders.

The retail banking market is exposed to macroeconomic shocks that may negatively impact household income, and a downturn in the economy could result in increased loan losses.

One of our main strategies is to focus on the retail banking sector and to grow our retail loan portfolio rapidly. As a result, our loan portfolio may become increasingly vulnerable to macroeconomic shocks that could negatively impact the household income of our retail customers and result in increased loan losses. Furthermore, because the penetration of bank lending products in the Mexican retail sector historically has been low, there is little basis on which to evaluate how the retail sector will perform in the event of an economic crisis, such as a recession or a significant devaluation, consequently our historical loan loss experience may not be indicative of the performance of our loan portfolio in the future. During 2009, we saw our consumer total loan portfolio decrease significantly by 14.1% and our mortgage portfolio decrease from 8.5% in 2008 to 7.5% in 2009 because of the increase in unemployment and what we perceive to be a negative macroeconomic environment. During 2010, Mexico GDP growth was of 5.5% and our performing loan portfolio increased by 12%, evidencing that the strong linkage between the macroeconomic environment and our banking activities.

Our increasing focus on individuals and small and medium-sized businesses could lead to higher levels of non-performing loans and subsequent charge-offs.

As part of our business strategy, we are seeking to increase lending and other services to individuals and to small and medium-sized companies. Individuals and small and medium-sized companies are, however, more likely to be adversely affected by downturns in the Mexican economy than large corporations and high-income individuals who have greater resources. Consequently, in the future we may experience higher levels of non-performing loans, which could result in higher provisions for loan losses. There can be no assurance that the levels of non-performing loans and subsequent charge-offs will not be materially higher in the future.

Our businesses rely heavily on data collection, processing and storage systems, the failure of which could materially and adversely affect the effectiveness of our risk management and internal control systems as well as our financial position and results of operations.

All of our main businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information across numerous and diverse markets and products at our various branches, at a time when transaction processes have become increasingly complex, with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our businesses and to our ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect our decision-making process and our risk management and internal control systems, as well as our timely response to changing market conditions. If we cannot maintain an effective data collection and management system, our business operations, financial position and results of operations could be materially and adversely affected.

Furthermore, we are dependent on information systems in order to process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, computer "hackers" or other causes. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our customers with delays or errors, which could reduce demand for our services and products and could materially and adversely affect our financial position and results of operations. Our operational risk division is in charge of measuring, managing and mitigating the risks related to negligence, fraud or human error.

Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could adversely affect our competitiveness, financial position and results of operations.

Our ability to remain competitive will depend in part on our ability to upgrade our information technology on a timely and cost-effective basis. We must continually make significant investments and improvements in our information technology infrastructure in order to remain competitive. In addition, we may experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate our growing customer base. Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could materially and adversely affect our competitiveness, financial position and results of operations.

The financial statements included in this offering memorandum have been prepared and are presented in accordance with Mexican Banking GAAP, which is significantly different from U.S. GAAP.

The financial statements included in this offering memorandum have been prepared and are presented in accordance with Mexican Banking GAAP. Significant differences exist between Mexican Banking GAAP and U.S. GAAP, which are material to the financial statements and other financial information included in this offering memorandum. We have made no attempt to identify or quantify the impact of those differences in this offering memorandum. In making an investment decision, you must rely upon your own examination of us, the terms of this offering and the financial information included in this offering memorandum. You should consult your own professional advisors for an understanding of the differences between Mexican Banking GAAP and U.S. GAAP, and how those differences might affect the financial information included in this offering memorandum. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and harm our business.

We are required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in Mexico. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. See "Supervision and Regulation—Money Laundering Regulations." While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where we may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent we may fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties on us. In addition, our business and reputation could suffer if customers use us for money laundering or illegal or improper purposes.

Risks Relating to Mexico and Other Markets

Economic and political developments in Mexico could affect Mexican economic policy and our business, financial condition and results of operations.

We are a Mexican bank and most of our operations and assets are located in Mexico. As a result, our business, financial condition and results of operations may be affected by the general condition of the Mexican economy, the devaluation of the peso as compared to the U.S. dollar, price instability, inflation, changes in oil prices, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico over which we have no control.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy and regulation of certain industries, including the banking sector, could have a significant effect on Mexican private sector entities in general, and us in particular, and on market conditions, prices and returns on Mexican securities, including our securities.

Mexican President Felipe Calderón Hinojosa, of the political party *Partido Acción Nacional* ("PAN"), may implement significant changes in laws, public policies and/or regulations that could affect Mexico's political and economic situation, which could adversely affect our business.

Furthermore, following Mr. Calderón's election in 2006, the Mexican Congress became politically divided, as the PAN does not have majority control. Elections for the Mexican Senate and House of Representatives and for the governorship of certain states of Mexico took place on July 5, 2009, giving the *Partido Revolucionario Institucional* a majority in the legislature. The lack of alignment between the legislature and the President could result in deadlock and prevent the timely implementation of political and economic reforms, which in turn could have a material adverse effect on Mexican economic policy, on our business and the prices of and returns on Mexican securities. It is possible, although not probable, that political uncertainty may adversely affect Mexico's economic situation.

President Calderon's administration, which term ends in 2012, has implemented a series of measures intended to palliate the effects of the global financial crisis in the Mexican economy, including countercyclical fiscal and monetary policies.

We cannot provide any assurance that future political developments in Mexico, over which we have no control, will not have an unfavorable impact on our financial position or results of operations and impair our ability to make payments under the Notes.

Adverse economic conditions in Mexico may adversely affect our financial position and results of operations.

Most of our operations are dependent upon the performance of the Mexican economy, mainly on matters such as peso-dollar parity, price volatility and inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico, over which we have no control. In the past, Mexico has experienced both prolonged periods of weak economic conditions and deteriorations in economic conditions that have had a negative impact on us. We cannot assume that such conditions will not return or that such conditions will not have a material and adverse effect on us.

In 2004, the Mexican GDP grew by 4.0% and inflation increased to 5.2%. In 2005, GDP grew by approximately 3.2% and inflation decreased to 3.3%. In 2006, GDP grew by approximately 5.2% and inflation reached 4.1%. In 2007, GDP grew by approximately 3.3% and inflation declined to 3.8%. In 2008, GDP grew by approximately 1.5% and inflation was 6.5%. Mexico began to enter into a recession in the fourth quarter of 2008. During 2009 GDP fell by 6.6% and inflation in 2009 reached 3.6%. In 2010, GDP growth was 5.5% and inflation was 4.4%.

Mexico also has, and is expected to continue to have, high real and nominal interest rates. The annualized interest rates on 28-day *Certificados de la Tesorería de la Federación* ("Cetes"), averaged approximately 6.8%, 9.2%, 7.2%, 7.2%, 7.7%, 5.4% and 4.4% for 2004, 2005, 2006, 2007, 2008, 2009 and 2010, respectively. Relative to the U.S. dollar, considering year average, the peso depreciated by 4.6% in 2004, appreciated by 3.5% in 2005, depreciated by 0.1% in 2006, depreciated by 0.2% in 2007, depreciated by 1.9% in 2008, depreciated by 21.3% in 2009 and appreciated by 6.5% in 2010, all in nominal terms. Accordingly, to the extent that we incur peso-denominated debt in the future, it could be at high interest rates.

Decreases in the growth rate of the Mexican economy, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our services and products, lower real pricing of our services and products or a shift to lower margin services and products. Because a large percentage of our costs and expenses are fixed, we may not be able to reduce costs and expenses upon the occurrence of any of these events, and our profit margins may suffer as a result.

Depreciation or fluctuation of the peso relative to the U.S. dollar and other currencies can adversely affect our results of operations and financial condition.

Severe devaluation or depreciation of the peso may limit our ability to transfer pesos or to convert pesos into U.S. dollars and other currencies and may have an adverse effect on our financial condition, results of operations and cash flows in future periods by, for example, increasing in peso terms the amount of our foreign currency-denominated liabilities and the rate of default among our borrowers.

In 2008 and 2009, as a result of the negative economic conditions in the United States and in other parts of the world, local and international markets experienced high volatility, which has contributed to the devaluation of the peso. In 2009, the peso depreciated by 21.3%. In 2010, the peso appreciated by 6.9%. The Mexican government has implemented a series of measures to limit the volatility of the peso. However, we cannot assure you that such measures will be effective or maintained or how such measures will impact the Mexican economy.

Severe devaluation or depreciation of the peso may also result in government intervention, as has occurred in other countries, or disruption of international foreign exchange markets. While the Mexican government does not currently restrict the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies outside of Mexico, the Mexican government could enact restrictive exchange control policies in the future. There are no current restrictions to convert pesos into U.S. dollars. The exchange rate is determined only by supply and demand as a result of a floating regime. Devaluation or depreciation of the peso against the U.S. dollar may also adversely affect our business, financial condition and results of operations.

Developments in other countries may adversely affect us and the prices of our debt securities.

Economic and market conditions in other countries may, to varying degrees, affect the market value of securities of Mexican companies. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in other countries may have an adverse effect on the market value of securities of Mexican companies. For example during 2007 and 2008, prices of both Mexican debt and equity securities decreased substantially as a result of the global financial crisis. The Dow Jones Industrial Average index fell by 36% from its average level in July 2007 to its January 2009 average level, while Mexico's stock exchange index (IPC) fell by 35% in the same period.

In addition, in recent years economic conditions in Mexico have become increasingly correlated to economic conditions in the United States as a result of the NAFTA and increased economic activity between the two countries, which was highlighted during the recent economic crisis affecting the United States. The Mexican economy continues to be heavily influenced by the U.S. economy and, therefore, the termination of NAFTA or other related events, further deterioration in economic conditions in, or delays in recovery of, the U.S. economy may hinder any recovery in Mexico. We cannot assure you that the events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial position and results of operations.

Recent Mexican tax reforms may have an adverse effect on our customers, which may adversely affect our business.

During November 2009, the Mexican Congress approved a general tax reform, effective as of January 1, 2010. The general tax reform increases the highest income tax rate from 28% to 30%, which will be reduced to 29% in 2013, and increases the value added tax rate from 15% to 16%. This tax reform may adversely affect the financial position of our customers, which may adversely affect our business.

Our corporate disclosures may be different or less substantial than those of issuers in other countries.

Issuers of securities in Mexico are required to make public disclosures that are different and that may be less substantial than disclosures required in countries with highly developed capital markets. In addition, accounting and other reporting principles and standards for credit and other financial institutions in Mexico and the financial results reported using such principles and standards may differ substantially from those results that would have been obtained using other principles and standards, such as U.S. GAAP. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

Risks Relating to the Notes

The Notes will be effectively subordinated to our secured debt, our subsidiaries' indebtedness and other liabilities and to certain claims preferred by statute.

Our obligations under the Notes are unsecured. Banks in Mexico are not allowed to post security except for (i) derivative transactions, securities loans and repurchase agreements, (ii) obligations in favor of Banco de México, Mexican development banks, public trusts incorporated by the Mexican government for economic promotion and IPAB, and (iii) specific cases expressly authorized by the CNBV. The Notes will be effectively subordinated to all of our secured debt to the extent of the value of the collateral securing such debt. The indenture does not limit our ability to incur additional senior indebtedness and subordinated preferred indebtedness from time to time. In the event that we are not able to repay amounts due under such secured debt obligations, creditors could proceed against the collateral securing such indebtedness. In that event, any proceeds upon a realization of the collateral would be applied first to amounts due under the secured debt obligations before any proceeds would be available to make payments on the Notes. If there is a default, the value of this collateral may not be sufficient to repay both our secured creditors and the holders of the Notes. The Notes will also rank effectively junior to all of our subsidiaries' indebtedness and other liabilities. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of holders of the Notes to participate in those assets would be effectively subordinated to the claims of those subsidiaries' creditors, including trade creditors. Additionally, the claims of holders of the Notes will rank effectively junior to certain obligations that are preferred by statute, including certain claims relating to taxes and labor.

The Notes are subject to redemption in the event of specified affecting the taxation of the Notes.

Upon the occurrence and continuation of certain specified changes affecting taxation of the Notes of a particular series, as described under "Description of the Notes—Redemption—Withholding Tax Redemption", we will have the option under the indenture for the Notes to redeem the Notes, at any time prior to the Maturity Date, in whole (but not in part).

The rating of the Notes may be lowered or withdrawn depending on various factors, including the rating agencies' assessments of our financial strength and Mexican sovereign risk.

The rating of the Notes addresses the likelihood of payment of principal at their maturity. The rating also addresses the timely payment of interest on each payment date. The rating of the Notes is not a recommendation to purchase, hold or sell the Notes, and the rating does not comment on market price or suitability for a particular investor. We cannot assure you that the rating of the Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in or withdrawal of the rating of the Notes will be an event of default under the indenture. An assigned rating may be raised or lowered depending, among other things, on the respective rating agency's assessment of our financial strength, as well as its assessment of Mexican sovereign risk generally.

The non-payment of funds by any of our subsidiaries could have a material and adverse effect on our business, financial condition, results of operations and ability to pay amounts due in respect of our debt, including the Notes.

Our cash flow and our ability to service debt depend in part on the cash flow and earnings of our subsidiaries and the payment of funds by those subsidiaries to us in the form of loans, interest, dividends or otherwise. The subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due under the terms of the Notes or to make any funds available for such purpose. Furthermore, claims of creditors of such subsidiaries, including trade creditors of such subsidiaries, will have priority over our creditors, including the holders of the Notes, with respect to the assets and cash flow of such subsidiaries. Any right we may have to receive assets of any of our subsidiaries upon their liquidation or reorganization (and the consequent right of the holders of Notes to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors.

There is no existing market for the Notes and one may not develop in the future; thus it may be difficult to resell your Notes.

We have submitted an application to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market, although no assurance can be given that such listing will be accomplished. Each series of Notes constitutes a separate and new issue of securities with no established trading market. In addition, in the event there are changes in the listing requirements, we may conclude that continued listing on the Luxembourg Stock Exchange is unduly burdensome. See "General Information." No assurance can be given as to (1) the liquidity of any markets that may develop for the Notes, (2) whether an active public market for the Notes will develop, (3) your ability to sell your Notes of a particular series (or beneficial interests therein) or (4) the price at which you will be able to sell your Notes of a particular series, as the case may be. In addition, the Notes have not been registered under the Securities Act and will be subject to transfer restrictions. See "Transfer Restrictions."

We do not intend to provide registration rights to holders of Notes and do not intend to file any registration statement with the SEC in respect of the Notes. The Notes have not been registered with the Mexican National Securities Registry and therefore the Notes may not be publicly offered or sold nor be the subject of intermediation in Mexico except pursuant to the private placement exemptions under Article 8 of the Mexican Securities Market Law. Future trading prices of the Notes will depend on many factors including, among other things, prevailing interest rates, our operating results, and the market for similar securities. The initial purchasers have informed us that they may make a market in the Notes. However, the initial purchasers are not obligated to do so and any such market-making activity may be terminated at any time without notice to you. In addition, such market-making activity will be subject to the limits of the Securities Act. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes of either series may be adversely affected. See "Plan of Distribution." In addition, trading or resale of the Notes of a particular series (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Mexican issuers generally.

Holders of Notes may find it difficult to enforce civil liabilities against us or our directors, officers and controlling persons.

We are organized under the laws of Mexico. Most of our directors, officers and controlling persons reside outside of the United States. In addition, all or a substantial portion of our assets and their assets are located outside of the United States. As a result, it may be difficult for holders of Notes to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of our Mexican internal counsel, there is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

Mexican law does not require us to pay our foreign-currency judgments in a currency other than pesos.

Although our obligations to pay U.S. Dollars outside Mexico are valid, under Article 8 of the Mexican Monetary Law (*Ley Monetaria de los Estados Unidos Mexicanos*), if proceedings are brought in Mexico seeking to enforce in Mexico our obligations under the Notes, we would not be required to discharge such obligations in Mexico in a currency other than Mexican currency. Pursuant to such Article 8, an obligation that is payable in Mexico in a currency other than Mexican currency may be satisfied in Mexican currency at the rate of exchange in effect on the date and in the place payment occurs. Such rate currently is determined by Banco de México every business banking day in Mexico and published the following business banking day in the Official Gazette of Mexico. It is unclear, however, whether the applicable rate of exchange applied by the Mexican court to determine the Mexican Judgment Currency is the rate prevailing at the time when the judgment is rendered or when the judgment is paid. Provisions that purport to limit our liability to discharge our obligations as described above, or to give any party an additional course of action seeking indemnity or compensation for possible deficiencies arising or resulting from variations in rates of exchange, may not be enforceable in Mexico.

Under the Mexican Bankruptcy Law (*Ley de Concursos Mercantiles*), in the case of our bankruptcy, and under the Mexican Banking Law, in case of a revocation of our license to operate as bank, foreign currency-denominated liabilities would be converted into pesos at the prevailing rate of exchange on the date the insolvency judgment is rendered, and the resulting amount, in turn, would be converted into UDIs.

If we were declared bankrupt, holders of the Notes may find it difficult to collect payment on the Notes.

Under Mexico's Law of Reorganization Proceedings (Ley de Concursos Mercantiles), if we were to become subject to a reorganization proceeding (concurso mercantil) or were declared bankrupt (quiebra) in a Mexican court, our payment obligations denominated in foreign currency, including the Notes (i) would be converted to Pesos at the exchange rate prevailing at the time such declaration is deemed effective and subsequently converted into UDIs other than secured debt, (ii) would cease accruing interest to the extent such debt is not secured, (iii) would be paid at the time claims of creditors are satisfied, (iv) would be dependent upon the outcome of the relevant concurso mercantil or quiebra proceedings, and (v) would not be adjusted to consider the depreciation of the Peso against the U.S. dollar occurring after such declaration of insolvency. In addition, in the event of bankruptcy, Mexican law provides preferential treatment for certain claims, such as those relating to labor, taxes and secured creditors.

USE OF PROCEEDS

Our net proceeds from the issuance of the Notes are estimated to be approximately U.S.$743,025,000.00. We intend to use the net proceeds of the issuance of the Notes for general corporate purposes.

EXCHANGE RATES AND CURRENCY

Mexico has had a free market for foreign exchange since 1991 and the Mexican government allows the peso to float against the U.S. dollar. There can be no assurance that the government will maintain its current policies with regard to the peso or that the peso will not depreciate or appreciate significantly in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates published by Banco de México in the Official Gazette of Mexico, expressed in pesos per U.S. dollar. The rates shown below are in nominal pesos that have not been restated in constant currency units.

Period [1]	**Low**	**High**	**Average**[2]	**Period-end**
		(nominal pesos per U.S. dollar)		
2002	9.00	10.36	9.67	10.36
2003	10.11	11.40	10.79	11.20
2004	10.82	11.63	11.29	11.22
2005	10.41	11.40	10.89	10.71
2006	10.43	11.48	10.90	10.88
2007	10.66	11.27	10.93	10.90
2008	9.92	13.92	11.20	13.77
2009	12.60	15.37	13.50	13.04
2010	12.16	13.18	12.63	12.38
2011:				
January	12.02	12.35	12.14	12.12

(1) Source: Banco de México.
(2) Average of month-end rates for 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010. Average of daily rates for January 2011.

The exchange rate to purchase U.S.$1.00 published by Banco de México, in the Official Gazette of Mexico (*Diario Oficial de la Federación*) on February 25, 2011 was Ps.12.1235 to U.S.$1.00.

The Mexican economy has suffered balance of payment deficits and shortages in foreign exchange reserves in the past. While the Mexican government, for more than ten years, has not restricted the ability of both Mexican and foreign individuals or entities to convert pesos to U.S. dollars, we cannot assure you that the Mexican government will not institute restrictive exchange control policies in the future. To the extent that the Mexican government institutes restrictive exchange control policies in the future, our ability to transfer or convert pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal of indebtedness, including the Notes, would be adversely affected.

DIVIDENDS

We paid dividends of Ps. 12,567 million on June 30, 2010. Additionally, we paid dividends of Ps.15,710 million and Ps. 11,889 million on July 22, 2008 and May 18, 2009, respectively, in each of the three cases from our "results from prior years" account. In our shareholders' meeting at the end of February 2011, our shareholders are expected to determine and approve the amount of dividend payments from our 2010 earnings. The payment of dividends is subject to the affirmative vote of a majority of our shareholders.

The declaration, amount and payment of dividends is determined, subject to the limitations set forth below, by the affirmative vote of a majority of the holders of our common voting shares, substantially all of which are owned by GFBB, which, in turn is controlled by BBVA. We may not declare or pay dividends to GFBB unless we meet the capital ratio requirements under the Mexican Capitalization Requirements. See "Supervision and Regulation." At December 31, 2010, we had reached this capitalization requirement, and were entitled to declare and pay dividends. Although no assurance can be given, we expect to continue to be in compliance with these capital ratio requirements during 2011.

Under Mexican law, we are required to allocate 10% of our net income (on an unconsolidated basis and after employee profit sharing and other deductions required by Mexican law) to a legal reserve fund, which is not thereafter available for distribution except as a stock dividend, until the amount of the legal reserve equals our paid-in capital. We may pay dividends only out of earnings (including retained earnings after all losses have been absorbed or paid up) and only after such allocation to the legal reserve fund. The reserve fund is required to be funded on a stand-alone basis for each company, rather than on a consolidated basis. The level of earnings available for the payment of dividends is determined under Mexican Banking GAAP. At December 31, 2010, we were in compliance with the regulations pertaining to our legal reserve. Our subsidiaries are required to allocate earnings to their respective legal reserve funds before paying dividends to us, and at December 31, 2010, they were in compliance with this requirement. As of December 31, 2010, we had set aside Ps.6,881 million in legal reserves compared to paid-in capital of Ps.24,138 million.

CAPITALIZATION

The following table sets forth, as of December 31, 2010, our actual capitalization and our capitalization as adjusted to reflect the issuances of the Notes and the concurrent issuance of U.S.$1,250,000,000 6.500% Fixed Rate Subordinated Preferred Notes Due 2021.

The table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds" and our financial statements and the notes to those statements included elsewhere in this offering memorandum.

	As of December 31, 2010		
	Actual	**As Adjusted for this Offering**	
	(millions of Ps.)	**(millions of Ps.)**	**(millions of U.S.$)**
Long-term indebtedness			
Senior indebtedness	Ps. 40,950	Ps. 50,212	U.S.$ 4,066
Subordinated preferred indebtedness	9,938	25,375	2,055
Subordinated non-preferred indebtedness	31,349	31,349	2,538
Local bank bonds	3,669	3,669	297
Total long-term indebtedness	85,906	110,605	8,956
Stockholders' equity			
Subscribed capital(1)	39,864	39,864	3,228
Earned capital	68,718	68,718	5,564
Subtotal	108,582	108,582	8,792
Minority interest	830	830	67
Total stockholders' equity	109,412	109,412	8,859
Total capitalization(2)	Ps. 195,318	Ps. 220,018	U.S.$ 17,815

(1) As of December 31, 2010, our authorized capital stock consisted of 9,107,142,859 Series "F" shares and 8,749,999,999 Series "B" shares. Of these shares, 7,728,216,167 Series "F" shares and 7,425,148,865 Series "B" shares were issued and outstanding.
(2) Except as disclosed in this offering memorandum, there has been no material change in our capitalization since December 31, 2010.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information presented below should be read in conjunction with "Presentation of Certain Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our audited financial statements and other financial information included elsewhere in this offering memorandum.

Our financial statements have been prepared in accordance with Mexican Banking GAAP, which differs in certain important respects from Mexican GAAP and U.S. GAAP. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

Our financial statements and the financial information presented below are presented on a consolidated basis in accordance with Mexican Banking GAAP. Under the rules issued by the CNBV, only subsidiaries that operate in the financial sector or provide services that are auxiliary or complementary to the financial sector are consolidated. Other subsidiaries are accounted for under the equity method. See note 17 to our audited financial statements included elsewhere in this offering memorandum.

Our financial statements as of December 31, 2008 and 2009 have been reclassified with respect to our net interest income and our net trading income to make them comparable to our financial statements for the year ended 2010. These reclassifications have no material effect on previously reported figures in our audited financial statements as of December 31, 2008 and 2009. See note 36 to our audited financial statements included elsewhere in this offering memorandum.

Financial Information

The selected annual financial information presented below has been derived from and should be read in conjunction with our audited financial statements included elsewhere in this offering memorandum. Such annual financial information, unless stated differently, is presented in nominal pesos. Due to Mexican regulations, the information prior to January 1, 2008 is presented in constant pesos as of December 31, 2007.

	For the years ended December 31,					
	2006	2007	2008	2009	2010	2010(1)
	(millions of constant Ps. as of December 31, 2007, except percentages)		(millions of Ps.)			(millions of U.S. $)
Income Statement Data:						
Interest income	Ps. 75,690	Ps. 90,858	Ps. 106,374	Ps. 97,625	Ps. 88,679	U.S.$ 7,181
Interest expense	(29,868)	(38,788)	(46,831)	(38,405)	(28,533)	(2,311)
Monetary gain, net	(1,655)	(1,556)	-	-	-	-
Net interest income	44,167	50,514	59,543	59,220	60,146	4,870
Provisions	(7,042)	(12,622)	(23,994)	(27,255)	(19,626)	(1,589)
Net interest income after provision for loan losses	37,125	37,892	35,549	31,965	40,520	3,281
Commissions and fees	18,322	19,221	18,670	18,683	20,595	1,667
Trading income	3,440	11	2,222	6,279	4,864	394
Other operating income (expense)	40	313	(1,135)	169	525	43
Operating revenue	58,927	57,437	55,306	57,096	66,504	5,385
Non-interest expense	(27,436)	(30,089)	(31,351)	(33,091)	(36,632)	(2,966)
Operating income	31,491	27,348	23,955	24,005	29,872	2,419
Other income (expense), net	91	(757)	(743)	(146)	18	1
Monetary loss	(223)	(287)	-	-	-	-
Earnings before income taxes and employee profit sharing	31,359	26,304	23,212	23,859	29,890	2,420
Current income taxes and employee profit sharing	(4,015)	(1,715)	(9,654)	(7,105)	(9,612)	(778)
Deferred income taxes and employee profit sharing	(6,163)	(4,966)	4,867	1,623	2,277	184
Income before share in net income (loss) of unconsolidated subsidiaries and affiliates	21,181	19,623	18,425	18,377	22,555	1,826
Share in net income (loss) of unconsolidated subsidiaries and affiliates	291	142	96	301	302	25
Income from continuing operations	21,472	19,765	18,521	18,678	22,857	1,851
Discontinued operations, extraordinary items and changes in accounting policies, net	(2,706)	-	-	-	-	-
Net income before minority interest	18,766	19,765	18,521	18,678	22,857	1,851
Minority interest	(182)	(128)	(172)	(232)	(316)	(26)
Net income	Ps. 18,584	Ps. 19,637	Ps. 18,349	Ps. 18,446	Ps. 22,541	U.S.$ 1,825

	As of or for the years ended December 31,					
	2006	2007	2008	2009	2010	2010(1)
	(millions of constant Ps. as of December 31, 2007, except percentages)		(millions of Ps.)			(millions of U.S. $)
Balance Sheet Data:						
Total assets	Ps. 834,514	Ps. 1,021,613	Ps. 1,135,932	Ps. 1,093,391	Ps. 1,098,162	U.S.$ 88,923
Cash and due from Banks	113,178	115,103	161,462	141,657	118,336	9,582
Margin Accounts	5,899	5,149	11,075	5,872	7,346	595
Securities	260,670	386,479	301,335	332,647	295,042	23,891
Total loans	385,834	462,839	518,065	524,393	579,725	46,943
FOBAPROA and IPAB Notes	-	-	-	-	-	-
Allowance for loan losses	(16,457)	(16,774)	(25,560)	(26,991)	(25,128)	(2,035)
Deferred taxes, net	4,899	86	5,161	6,773	8,665	702
Other assets	80,491	68,731	164,394	109,040	114,176	9,245
Total funding	453,389	525,487	629,667	639,699	719,047	58,224
Deposits (excluding bank bonds)	410,240	449,437	508,608	543,490	572,716	46,375
Bank bonds	9,118	27,091	46,619	45,024	44,619	3,613
Subordinated debt	8,346	23,448	35,620	37,175	41,287	3,343
Interbank loans and loans from other entities	25,685	25,511	38,820	14,010	60,425	4,893
Other liabilities	305,573	417,223	425,122	355,102	269,703	21,839
Total liabilities	758,962	942,710	1,054,789	994,801	988,750	80,063
Total stockholders' equity	Ps. 75,552	Ps. 78,903	Ps. 81,143	Ps. 98,590	Ps. 109,412	U.S.$ 8,860
Profitability and Efficiency:						
Return on average total assets(2)	2.37%	2.12%	1.70%	1.65%	2.06%	2.06%
Return on average stockholders' equity(2)	27.52%	25.62%	23.10%	20.68%	21.83%	21.83%
Net interest margin(3)	5.63%	5.44%	5.52%	5.31%	5.49%	5.49%
Efficiency ratio(4)	41.61%	43.14%	38.98%	39.31%	42.79%	42.79%
Capitalization:						
Stockholders' equity as a percentage of total assets	9.05%	7.72%	7.14%	9.02%	9.96%	9.96%
Tier 1 Capital as a percentage of risk- weighted assets	13.97%	12.25%	10.86%	11.93%	12.14%	12.14%
Total capital as a percentage of risk- weighted assets	15.08%	14.32%	14.54%	14.92%	15.10%	15.10%
Credit Quality Data:						
Total performing loans	377,375	452,157	501,645	504,555	565,302	45,775
Total non-performing loans	8,459	10,682	16,420	19,838	14,423	1,168
Total loans	385,834	462,839	518,065	524,393	579,725	46,943
Loans graded "C," "D" and "E"(5)	17,649	17,048	22,161	29,069	22,492	1,821
Allowance for loan losses	(16,457)	(16,774)	(25,560)	(26,991)	(25,128)	(2,035)
Loan Recovery and Write-offs:						
Non-performing loans— average balance	6,891	9,571	13,551	18,129	17,131	1,387
Non-performing loans written-off	2,470	8,129	12,433	19,657	14,604	1,183
Recoveries in respect of non-performing loans	(269)	(406)	(296)	(355)	(488)	(40)
Recovered amounts as a percentage of average non-performing loans	3.90%	4.24%	2.18%	1.96%	2.85%	2.88%

(1) Translated at the rate of Ps.12.3496 per U.S.$1.00, the fixed exchange rate published by Banco de México on December 31, 2010.
(2) Determined on an annualized basis, based on beginning-and end-of-period balances using constant pesos before 2008.
(3) Represents net interest income divided by average total assets. Average total assets are determined on an annualized basis, based on beginning- and end-of-period balances using constant pesos before 2008.
(4) Efficiency ratio is equal to total non-interest expense as a percentage of the aggregate of net interest income and non-interest income. For this purpose, net interest income and non-interest income are calculated before provision for loan losses.
(5) See "Selected Statistical Information—Grading of Loan Portfolio."

Other Financial Data and Ratios

The selected financial data and ratios presented below have been derived from and should be read in conjunction with our audited financial statements and the other financial information contained in this offering memorandum, together with the notes thereto, included elsewhere in this offering memorandum.

	As of or for the years ended December 31,				
	2006	2007	2008	2009	2010
Credit Quality Ratios:					
Allowance for loan losses as a percentage of total loans	4.27%	3.62%	4.93%	5.15%	4.33%
Allowance for loan losses as a percentage of total non-performing loans(1)	194.53%	157.04%	155.66%	136.06%	174.22%
Allowance for loan losses as a percentage of loans graded "C," "D" and "E"(2)	93.24%	98.39%	115.34%	92.85%	111.72%
Total non-performing loans as a percentage of total loans	2.19%	2.31%	3.17%	3.78%	2.49%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of net total loans (net performing loans plus net non-performing loans)	2.12%	1.33%	1.80%	1.38%	1.88%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of stockholders' equity	10.58%	7.72%	11.26%	7.26%	9.78%
Provision for loan losses as a percentage of average total loans	4.38%	3.92%	4.32%	5.04%	4.72%
Charge-offs (net of recoveries) as a percentage of average total loans	0.47%	1.17%	2.02%	3.02%	3.03%
Loans graded "C," "D" and "E" as a percentage of total loans(1)	4.57%	3.68%	4.28%	5.54%	3.88%

(1) As a result of the early termination of the debtor support programs on January 31, 2011, allowance for loan losses as a percentage of total non-performing loans was reduced to 151.09%. See "The Bank–Banking divisions."
(2) See "Selected Statistical Information—Grading of Loan Portfolio."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information presented in this section as of December 31, 2010 and 2009 and for the years ended December 31, 2008, 2009 and 2010 should be read in conjunction with our audited financial statements included elsewhere in this offering memorandum. Our financial statements as of December 31, 2008 and 2009 have been reclassified with respect to our net interest income and our net trading income to make them comparable to our financial statements for the year ended 2010. These reclassifications have no material effect on previously reported figures in our audited financial statements as of December 31, 2008 and 2009. See note 36 to our audited financial statements included elsewhere in this offering memorandum. As a result of this reclassification, certain figures in "Results of Operation–Year ended December 31, 2009 compared to year ended December 31, 2008" have been adjusted to make them comparable to our results of operation for the year ended December 31, 2010. Our financial statements have been prepared in accordance with Mexican Banking GAAP, which differs in significant respects from Mexican GAAP and U.S. GAAP. For a discussion of significant differences between Mexican Banking GAAP and U.S. GAAP, see "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP." No reconciliation of any of our financial statements to U.S. GAAP has been prepared for this offering memorandum. Any such reconciliation could result in material quantitative differences. See "Presentation of Certain Financial and Other Information."

Economic Environment

During 2008, the international environment imposed particularly adverse conditions to Mexico. External demand suffered an important deterioration driven by the relation of external demand to the manufacturing sector. During the last quarter of 2008, the weaker external demand also affected internal demand, where lower investment and consumption were observed. GDP growth was 1.5% during 2008 and several supply side shocks that affected price level were observed. The most important shocks were on international prices of food and energy commodities. From September onwards, there were important pressures related to the exchange rate. Annual headline inflation at the end of 2008 was 6.53%.

During 2009, the world economy experienced the sharpest decline in decades. Given its important commercial ties with the economy of the United States, Mexico suffered a sharp decline in its GDP, with an annual GDP growth rate of (6.6)%. The deep deterioration of external demand implied a drastic decline in 2010 on Mexican exports linked to key sectors such automotive and electrical equipment industries. Mexico was affected throughout its financial sector by considerable volatility. On the inflation side, economic slowdown as well as mitigation of past supply side shocks influenced the inflation pressures to ease. Inflation rate ended 2009 at an annual rate of 3.57%.

During 2010, the Mexican economy showed indications of a recovery from its 2009 recession. In 2010 GDP growth was 5.5% and inflation was 4.4%. This economic recovery brought an increase in the demand for credit and a reduction in provisions for credit losses. For 2011, it is expected that the Mexican economy should continue to recover, but uncertainty remains on the prospects of the economies of the United States and of the Euro zone.

Effect of Tax Reduction Legislation

The Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) was amended in December 2009 (effective January 1, 2010), to provide for an annual increase in the income tax rate from 28% for 2007, 2008 and 2009, to 30% for 2010. According to the last amendments the income tax rate will remain at 30% for 2010, 2011 and 2012, and will decrease to 29% for 2013 and 28% for 2014 and future periods.

The Business Flat Tax Law went into effect in January 2008. According to this law, revenues, deductions and certain tax credits for each year are determined based on cash flows for each year. The established rates are 17.0% and 16.5% for 2009 and 2008 respectively, and 17.5% for 2010 and future periods. This law supersedes the Asset Tax Law, or IMPAC (*Ley del Impuesto al Activo*), allowing, under certain circumstances, the recovery of taxes paid in the ten immediately preceding years to that in which income tax is paid under the terms of such tax provisions.

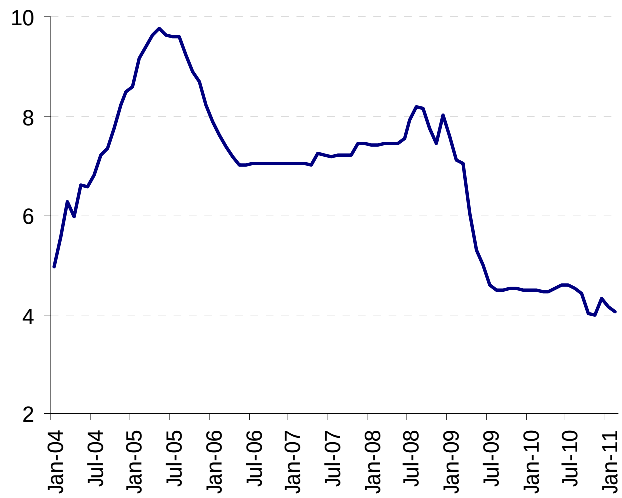
Current income tax is the higher between the regular income tax and the business flat tax. Based on financial projections, and according to INIF 8 (*Interpretacion a las Normas de Investigacion Financiera 8*, issued by the CINIF, *Consejo Mexicano para la Investigacion y Desarrollo de Normas de Informacion Financiera*) in the section "Effects of the new flat rate business tax," the Bank determined that it will be subject to regular income tax, and therefore only recognizes deferred regular income tax.

Effects of Changes in Interest Rates

Interest rate fluctuations in Mexico have a significant effect on our interest income, interest expense and trading income. Changes in market interest rates may lead to temporary repricing gaps between our interest-earning assets and our interest-bearing liabilities. Most of our interest-earning assets and interest-bearing liabilities carry floating interest rates or are subject to frequent repricing. Upward or downward adjustments of the interest rates on our assets and liabilities generally occur approximately every 28 days. The repricing generally limits the effects of net exposures that regularly occur upon movements in interest rates. See "Selected Statistical Information—Interest Rate Sensitivity of Assets and Liabilities." In addition, sustained high interest rate environments have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and in a deterioration of asset quality.

During the periods discussed below, the benchmark market interest rate in Mexico was the annual interest rate paid in connection with primary offerings of Cetes, which are Mexican government peso-denominated treasury bills, with 28-day maturities.

Average Monthly Cetes Rate (1)



Source: Banco de México
(1) Monthly average based on rates established at w eekly auctions.

During 2008, in the face of continued inflationary pressures Banco de México raised its reference rate 25bp in three consecutive meetings –from June to August– to prevent second round effects on inflation expectations. In September of that year, the financial crisis unfolded causing an abrupt increase in risk-aversion, and thus, affecting domestic financial variables significantly, especially the exchange rate level and long-term interest rates. The Cetes rate ranged between 7.4% and 8.2%, with an average rate of 7.7% for the year.

During 2009, the performance of financial markets in Mexico responded to global factors, benefiting from the rally in risky assets that began in March. However, Mexico's close links with the economy of the United States, along with uncertainties on the fiscal front, caused a negative differentiation of Mexican financial variables, particularly the peso, which appreciated by a significant lower proportion versus the US dollar than most currencies. In the face of the sharpest economic recession since 1995, Banco de México reduced rates decisively to a 4.5% level –taking real rates to a negative level for the first time in an easing monetary policy cycle. The Cetes rate ranged between 4.5% and 8.0%, with an average rate of 5.4% for the year.

Banco de México kept overall interest rates for 2010 at 4.5%. The liquidity resulting from the expansive monetary policies in the United States along with the strong demand for emerging markets assets, particularly in Latin America and Asia, have reduced the Cetes rate to levels around 4.0% during the last quarter of 2010 and the first months of 2011.

Effects of Changes in the Rate of Inflation

According to Banco de México, the annual inflation rate in Mexico was 6.5% for 2008, 3.6% for 2009 and 4.4% for 2010.

Effective January 2008, we adopted the guidelines of MFRS B-10 "Recognition of the Effects of Inflation", which provide that the effects of inflation will only be required in an inflationary environment where cumulative inflation over the three preceding years is equal to or greater than 26%. The cumulative inflation rate in Mexico over the three-year periods preceding December 31, 2009 and 2010 does not qualify as inflationary. Accordingly, beginning on January 1, 2008, we were no longer required by Mexican Banking GAAP to recognize the effects of inflation in our financial statements. Our financial information through December 31, 2007 is stated in Mexican pesos of purchasing power as of December 31, 2007. Our financial statements as of December 31, 2008, 2009 and 2010 reflect the inflation adjustments recognized through December 31, 2007 to our consolidated stockholders' equity and to the non-monetary assets and liabilities held as of that date.

In addition, as part of the Mexican government's debt restructuring program for borrowers facing cash flow constraints, we, along with other commercial banks in Mexico, converted a substantial amount of non-performing peso-denominated loans of such borrowers to UDI-denominated loans. UDIs are a unit of account created by the Mexican government expressed in pesos, at a given time, the principal amount of financial transactions, as adjusted for inflation. The trusts created for the administration of these UDI-denominated loans were extinguished at the end of November 2009 and the balances were incorporated to the Bancomer's balance sheet.

Beginning January 1, 2008, we discontinued recognition of the effects of inflation. Through December 31, 2007, such recognition resulted mainly in inflationary gains or losses on non-monetary and monetary items, which are presented in the financial statements as an increase or decrease in stockholders' equity headings, and also in non-monetary items. See note 3 to our audited financial statements included elsewhere in this offering memorandum.

Critical Accounting Policies

The following is a description of certain key accounting policies on which our financial condition and results of operations are dependent. These key accounting policies generally involve complex quantitative analyses or are based on subjective judgments or decisions. In the opinion of our management, the most critical accounting policies under Mexican Banking GAAP are those related to the establishment of allowances for loan losses, valuation of securities and derivatives, valuation of the deferred income tax assets, and employee retirement obligations. For a full description of our accounting policies, see note 3 to our audited financial statements included elsewhere in this offering memorandum.

Allowances for loan losses

Our allowance for loan losses is maintained in accordance with the rules for the classification and rating of loan portfolios of Mexican banks and the creation of related reserves, or the Loan Classification and Rating Rules, set forth under the General Rules for Banks, which require that the commercial portfolio must be rated every three months and the consumer and mortgage loan portfolios must be rated every month.

The allowance for loan losses for our commercial loan portfolio is calculated primarily based on the classification of the loans into prescribed categories. To calculate our commercial loan loss reserve, the Loan Classification and Rating Rules require that we follow a methodology that incorporates an evaluation of the borrower's ability to repay its loan and of the related collateral and guarantees in the loan's rating analysis to estimate a probable loss and define the percentage of necessary reserves. The Loan Classification and Rating Rules allow us to use our own methodology following certain parameters to assign a risk rating to each borrower. This methodology is subject to the review of the CNBV. The CNBV initially approved our methodology in June 2001, and reapproved it in December 2004, December 2006 and December 2008. Our current methodology is effective through December 2010. We are required to classify 100% of the aggregate balance of our commercial loans, including all loans with an outstanding balance equal to or greater than 4,000,000 UDIs, as of the classification date. If our analysis of the classification of a commercial loan changes from period to period, then the calculation of the amount of our loan loss reserve will adjust accordingly.

For individual loans, including mortgage and other consumer loans, the loan loss reserve is determined in accordance with a classification based solely on the non-performing status for such loans and prescribed loan loss rates for such classifications. The ratings for these types of loans are performed on a monthly basis.

For consumer credit card loan portfolio, we apply the internal credit card rating model approved by the CNBV on June 22, 2009. The internally developed rating methodology involves calculating the expected 12-month loss as a result of probability of default, loss severity and exposure at default.

The determination of the allowance for loan losses, particularly for commercial loans, requires management's judgment. The loan loss reserve calculation that results from using the estimated and prescribed loss percentages may not be indicative of future losses. See "Selected Statistical Information—Grading of Loan Portfolio" and "Selected Statistical Information—Allowance for Loan Losses." Differences between the estimate of the loan loss reserve and the actual loss will be reflected in our financial statements at the time of charge-off.

Because of the changing conditions of our borrowers and the markets in which we operate, it is possible that significant adjustments to the loan loss reserve for changes in estimates of the collectability of loans will be made in the short term.

Securities and derivatives

The balance sheet reflects certain assets and liabilities related to our securities and derivatives portfolio at their estimated fair value. Such amounts are based on either listed market prices or estimated values derived by utilizing dealer quotes or internally generated modeling techniques. As market conditions change, such price vendors generally make adjustments to the fair value of securities and derivatives to reflect those conditions. Future sales of these securities will reflect the market conditions at the time and may differ significantly from the estimated fair market value reflected on the balance sheet, considering that these sales may be realized in a different date.

Deferred income tax assets

Based on management's projections, the balance of deferred taxes coming from the allowance for loan losses reserve will be recovered in the medium term.

On December 7, 2009, the Official Gazette published the tax reform passed by the Mexican Congress, which came into effect on January 1, 2010. This law establishes a temporary increase in the income tax rate at 30% for the years 2010, 2011 and 2012, 29% for 2013 and 28% for 2014 and thereafter. The management, in accordance with the MFRS D-4 Income Tax, and based on projections of recovery of the deferred tax, adjusted the balance of the deferred taxes according to the rates that are expected to be in effect at the time of their recovery.

Employee retirement obligations

Our employee retirement obligations include employee pension plans, seniority premium benefits, life insurance payments and severance indemnities. The determination of our obligations and expenses is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. We evaluate our assumptions at least annually. Our assumptions depend on Mexico's economic circumstances.

Following the execution of the employer substitution contract, as of January 1, 2007 all the employees of Bancomer (except the General Director) were transferred to the payroll of BBVA Bancomer Operadora, S.A. de

C.V., a GFBB subsidiary. Notwithstanding, these employees will retain all acquired benefits and seniority, and only those not formerly receiving these benefits will be incorporated into a variable compensation program.

In accordance with Mexican Banking GAAP, actual results that differ from our assumptions (actuarial gains or losses) are accumulated and amortized over future periods and, therefore, generally affect our recognized expenses and recorded obligations in these future periods. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our employees' retirement obligations and our future expense.

Results of Operations

Year ended December 31, 2010 compared to year ended December 31, 2009

The annual financial information presented in this section for the years ended December 31, 2009 and 2010 has been derived from and should be read in conjunction with our audited financial statements and the notes thereto included elsewhere in this offering memorandum. Such annual financial information, unless stated differently, is presented in nominal pesos. Due to Mexican regulations the information prior to January 1, 2008 is presented in constant pesos as of December 31, 2007.

Net interest income

The following table sets forth the components of our net interest income:

	For the years ended December 31,	
	2009	2010
	(millions of Ps.)	
Interest Income:		
Interest and fees on loans(1)	Ps. 66,942	Ps. 63,315
Interest on securities	22,555	17,980
Interest on cash and due from banks	4,199	3,420
Interest on repurchase agreements(2)	1,832	932
Interests on margin accounts	119	104
Other	1,978	2,928
Total interest income	Ps. 97,625	Ps. 88,679
Interest Expense:		
Interest on demand deposits	2,771	2,735
Interest on time deposits (3)	11,886	9,536
Interest on banks and other organisms loans	1,623	938
Interest on subordinated debentures	2,085	2,319
Interest on repurchase agreements(2)	19,687	12,467
Other…	353	538
Total interest expense	38,405	28,533
Net interest income	Ps. 59,220	Ps. 60,146

(1) Interest income includes origination fees on loans of Ps.982 million for 2010 and Ps.897 million for 2009. Includes interest earned on Special Cetes held in connection with funding the UDI Trusts, terminated in November 2009. See "—Financial Position."
(2) Interest income on repurchase agreements primarily represents interest income on derivatives and securities purchased under agreements to resell in accordance with Mexican Banking GAAP. Interest expense on repurchase agreements represents interest expense on funds received in connection with securities sold under agreements to repurchase in accordance with Mexican Banking GAAP. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."
(3) Includes interest on local bank bonds.

Net interest income in 2010 was Ps.60,146 million compared to Ps.59,220 million for 2009, an increase of Ps.926 million, or 1.6%. This increase was mainly the result of a Ps. 9,872 million, or 25.7% decrease in interest expense. The reduction in interest expense was primarily the result of our strategy of increasing the sources of low cost funding, primarily demand deposits, as well as through a significant reduction in interest paid on repurchase agreements as a result of lower interest rate levels in the market.

In terms of local currency margins, the difference between the interest rate we charged on average interest-earning assets of 10.3% and the interest rate we paid on average interest-bearing liabilities of 3.6% resulted in a yield spread of 6.7% for 2010, compared to a yield spread of 6.3% for 2009.

Interest income

Interest income was Ps.88,679 million for 2010 compared to Ps.97,625 million for 2009, a decrease of Ps.8,946 million, or 9.2%. This decrease was primarily the result of lower average loan volumes in high yield products, in spite of higher balances at the end of 2010 in almost all lending products. This decrease was also the result of lower yields and interest rates on securities resulting from expansive monetary policies adopted by Banco de México that reduced real interest rates to historical minimum levels. The interest reference rate (the average of the *Tasa de Interés Interbancaria de Equilibrio* or TIIE) decreased from 5.9% during 2009 to 4.9% during 2010.

Interest and fees on loans was Ps.63,315 million (or 71.4% of interest income) for 2010 compared to Ps.66,942 million (or 68.6% of interest income) for 2009, a decrease of Ps.3,627 million, or 5.4%. This decrease was primarily attributable to a decrease of 8.43% in the average size of our outstanding credit card loans in 2009 reflecting the macro environment at the time.

Interest on securities was Ps.17,980 million (or 20.3% of interest income) for 2010 compared to Ps.22,555 million (or 23.1% of interest income) for 2009, a decrease of Ps.4,575 million, or 20.3%. This decrease was primarily attributable to lower yields and interest rates on investments in securities resulting from expansive monetary policies that reduced real interest rates to historical minimum levels.

Interest on cash and due from banks was Ps.3,420 million (or 3.9% of interest income) for 2010 compared to Ps.4,199 million (or 4.3% of interest income) for 2009, a decrease of Ps.779 million or 18.6%. The decrease was also primarily attributable to lower interest earned resulting from expansive monetary policies that reduced real interest rates to historical minimum levels.

Interest on repurchase agreements was Ps. 932 million (or 1.1% of interest income) for 2010 compared to Ps.1,832 million (or 1.9% of interest income) for 2009, a decrease of Ps.900 million, or 49.1%. This decrease was primarily attributable to the lower interest rates levels in the market resulting from expansive monetary policies and a decrease in the average volume of repurchase transaction over bonds, particularly during the second half of 2010.

Interest expense

Interest expense was Ps.28,533 million for 2010 compared to Ps.38,405 million for 2009, a decrease of Ps.9,872 million, or 25.7%. This decrease was primarily the result our funding strategy, focused primarily on increasing our low cost funding.

Interest on time deposits and local bank bonds (*certificados bursátiles*), or bonds and senior debt issued by us, was Ps.9,536 million (or 33.4% of interest expense) for 2010, compared to Ps.11,886 million (or 30.9% of interest expense) for 2009, a decrease of Ps.2,350 million or 19.8%. This decrease was primarily the result of an 11.5% decrease in 2010 of our average time deposits funding and an 8.6% increase in 2010 of our average funding through demand deposits, reflecting our low cost funding strategy. In year-end balances, the contribution of time deposits to this mix decreased from 34.7% in 2009 to 29.7% in 2010 while the contribution of demand deposits grew from 65.3% in 2009 to 70.3% (496 basis points higher) resulting in a reduction of our funding cost as demand deposits represent our lowest-cost source of funding.

Interest on repurchase agreements was Ps.12,467 million (or 43.7% of interest expense) for 2010 compared to Ps.19,687 million (or 51.3% of interest expense) for 2009, a decrease of Ps.7,220 million or 36.7%. This decrease also primarily reflected a reduction of interest rates over the period with respect to previous year in securities sold under agreements to repurchase due to expansive monetary policies.

Provisions

Provisions for loan losses charged against earnings were Ps.19,626 million for 2010 compared to Ps.27,255 million for 2009, a decrease of Ps.7,629 million, or 28.0%. The decrease in loan loss provisions was primarily attributable to an improvement in the quality of our loan portfolio, particularly in the case of our credit cards, in line with the country's economic recovery.

No provisions for loan losses charged against stockholders' equity were made in 2010. During 2009, the CNBV approved a provision for loan losses charged against stockholders' equity, within the results of from prior years, of Ps.1,323 million. This provision resulted from a one-time application of the new methodology to classify our credit card loan portfolio issued by the CNBV on August 12, 2009. See notes 4 and 13 to our audited financial statements included elsewhere in this offering memorandum.

Non-interest income

The following table sets forth the components of our non-interest income:

	For the years ended December 31,	
	2009	2010
	(millions of Ps.)	
Commissions and Fees:		
Account management	Ps. 3,134	Ps. 3,153
Cash management and fund transfers	3,127	3,000
Credit card	5,396	6,139
ATMs	685	434
Pension fund management	2,332	2,795
Mutual fund management(1)	1,304	2,516
Insurance(1)	1,016	1,118
Other	1,689	1,440
Total commissions and fees	18,683	20,595
Trading Income:		
Valuation Result:		
Derivatives	3,944	612
Foreign Currency	(4,970)	822
Securities investments	3,349	(2,142)
Total valuation result	2,323	(708)
Purchase-sale result:		
Derivatives	2,040	(3,815)
Foreign Currency	1,584	1,653
Securities investments	332	7,734
Total purchase-sale result	3,956	5,572
Total trading income (loss), net	6,279	4,864
Other Operating Income (expenses)	169	525
Total non-interest income	Ps. 25,131	Ps. 25,984

(1) These are services provided through GFBB affiliates.

Non-interest income, including trading income and other operating income, was Ps.25,984 million for 2010 compared to Ps.25,131 million for 2009, an increase of Ps.853 million, or 3.4%. This increase was primarily attributable to an increase in commissions and fees in 2010, as compared to 2009, resulting from a higher volume of transactions related to pension fund and mutual fund management consistent with the indications of an economic recovery in Mexico. The decrease in trading income of Ps.1,415 million or 22.5% during 2010 as compared to 2009 resulted from losses on securities available for sale and the result from the valuation of hedging derivatives, which contrast to the gains on securities avaluable for sale during the previous year.

Net commissions and fees were Ps.20,595 million for 2010 compared to Ps.18,683 million for 2009, an increase of Ps.1,912 million, or 10.2%. This increase was primarily attributable to an increase of mutual fund management commissions resulting from an increase of volume of mutual funds managed of 27.2% during 2010 as compared to the previous year. Credit card fees also increased Ps.743 million or 13.8%, as compared to 2009, as a result of increased consumption levels reflecting an improvement in the indicators of consumer confidence. Pension fund management fees increased Ps. 463 million or 19.9%, as compared to 2009. This increase was primarily due to an increase of 17.1% in the amount of resources managed by the funds.

Account management fees were Ps.3,153 million (or 15.3% of total commissions and fees) for 2010, compared to Ps.3,134 million (or 16.8% of total commissions and fees) for 2009, a modest increase of Ps.19 million or 0.6%. Although these fees remained stable in terms of overall volume, their weight with respect to the total amount of commissions and fees showed a reduction of 1.5%.

Cash management and funds transfer fees were Ps.3,000 million (or 14.6% of commissions and fees) for 2010, compared to Ps.3,127 million (or 16.7% of commissions and fees) for 2009, a decrease of Ps.127 million, or 4.1%. This decrease was mainly attributable to the reduced amount of funds transfers from Mexican workers in the United States in line with the appreciation of parity of Peso with respect to the U.S. dollar. During this period, the average of exchange rate Peso/U.S. dollar decreased from 13.5719 Pesos per U.S. dollar in 2009 to 12.6422.

Credit card fees, which include merchant voucher fees were Ps.6,139 million (or 29.8% of commissions and fees) for 2010 compared to Ps.5,396 million (or 28.9% of commissions and fees) for 2009, an increase of Ps.743 million or 13.8%. This increase in credit card fees charged during 2010 was primarily attributable to a increase in the number of transactions and higher volumes resulting from new credit cards, which increased approximately 23.8% in 2010 with respect to the previous year.

Pension fund management fees were Ps.2,795 million (or 13.6% of commissions and fees) for 2010 compared to Ps.2,332 million (or 12.5% of commissions and fees) for 2009, an increase of Ps.463 million, or 19.9%. This increase was primarily due to an increase of 17.1% in the amount of funds under management, which grew to Ps.210.9 billion in 2010 from Ps. 180.1 billion in 2009.

Commissions and fees represented 79.3% of non-interest income for 2010 compared to 74.3% for 2009.

Gains from trading activities were Ps.4,864 million for 2010 compared to a gain of Ps.6,279 million for 2009, a decrease of Ps.1,415 million or 22.5%. This decrease was mainly attributable to losses on the valuation of investments on securities and hedging derivatives of Ps.708 million in 2010 compared to a profit of Ps. 2,323 million in 2009, which resulted from a lower volume of transactions with foreign counterparties as a consequence of closing our Grand Cayman agency, and low interest rates levels in the market during 2009. In 2010 we had gains of Ps. 5,572 million from purchase and sale of securities and derivatives and foreign exchange transactions compared to a profit of Ps.3,956 million in 2009, an increase of Ps.1,616 million or 40.8%. This increase resulted from a Ps.3,919 million gain from the purchase and sale of securities and derivatives compared to a profit of Ps.2,372 million in 2009, which represents an increase of Ps.1,547 million or 65.2%. Foreign exchange revenues resulting from spot foreign exchange transactions and foreign exchange derivatives were essentially unchanged for 2010 compared to 2009.

Non-interest expense

The following table sets forth the components of our non-interest expense:

	For the years ended December 31,	
	2009	**2010**
	(millions of Ps.)	

Salaries and employee benefits	Ps.	1,295	Ps.	1,044
Administrative and operational expenses		22,719		25,546
Rent, depreciation and amortization		4,618		4,994
Taxes other than income taxes		1,932		2,535
Contribution to IPAB		2,527		2,513
Total non-interest expense	Ps.	33,091	Ps.	36,632

Non-interest expense was Ps.36,632 million for 2010 compared to Ps.33,091 million for 2009, an increase of Ps.3,541 million, or 10.7%, this was primarily the result of higher administrative and operational expenses, as well as an increase in taxes and (other than income taxes).

Salaries and employee benefits, was Ps.1,044 million (or 2.8% of non-interest expense) for 2010 compared to Ps.1,295 million (or 3.9% of non-interest expense) for 2009, a decrease of Ps. 251 million, or 19.38%. The decrease was primarily attributable to reduced expenses in salaries and benefits in our subsidiaries resulting from an extraordinary reserve in provisions and fund pensions of approximately Ps. 150 million in 2009.

Administrative and operational expenses, were Ps.25,546 million (or 69.7% of non-interest expense) for 2010 compared to Ps.22,719 million (or 68.72% of non-interest expense) for 2009, an increase of Ps. 2,827 million, or 12.44%. This increase was primarily the result of the implementation of the new strategic growth plan, which required a greater investment on technology and infrastructure, including modernization of our ATMs and technological sophistication.

Rent, depreciation and amortization expenses were Ps.4,994 million (or 13.6% of non-interest expense) for 2010 compared to Ps.4,618 million (or 14.0% of non-interest expense) for 2009, an increase of Ps.376 million, or 8.14%. The increase was primarily the result of an increase in rental rates denominated in U.S. currency. Many of our corporate and branch buildings in Mexico have their rental contracts denominated in U.S. dollars.

Taxes other than income taxes were Ps.2,535 million for 2010 compared to Ps.1,932 million for 2009, an increase of Ps.603 million, or 31.2%, which was primarily attributable to a 1% increase in the value added tax rate.

Contributions to IPAB were Ps.2,513 million for 2010 compared to Ps.2,527 million for 2009, a decrease of Ps. 14 million, or 0.55%. This decrease was attributable to a small reduction in the deposit base in 2010 with respect to 2009,

Current and deferred income tax and employee profit sharing

Current and deferred income tax was an expense of Ps.7,335 million for 2010 compared to Ps.5,482 million for 2009, an increase of Ps.1,853 million, or 33.8%, with an effective tax rate of 24.5% in 2010 compared to 22.8% in 2009, an increase of 1.7% primarily as a result of an increase in income before taxes. The increase was primarily the result of the deduction of allowances for loan without exceeding 2.5% of our average annual loan portfolio and the valuation of financial instruments. See note 26 to our financial statements included elsewhere in this offering memorandum.

Current income taxes for 2010 were Ps.9,612 million for compared to Ps.7,105 million for 2009, an increase of Ps.2,507 million or 35.3%.

Deferred income tax was Ps.2,277 million for 2010 compared to Ps.1,623 million for 2009, an increase of Ps.654 million, or 40.3%.

Share in net income (loss) of unconsolidated subsidiaries and affiliates

Our share of the results of our unconsolidated subsidiaries and affiliates reflected a gain of Ps.302 million for 2010 compared to a gain of Ps.301 million for 2009, which represents an increase of Ps.1 million or 0.3%. This increase was primarily attributable to the results of Siefore Bancomer (Real and Protege), which contributed to a gain of Ps.183 million; I+D, S.A. de C.V., an electronic toll-booth operator, which contributed with a gain of Ps.81.4

million. (I+D, S.A. de C.V. was merged with Telepeajes Electrónicos, S.A. de C.V., or Telepeajes Electrónicos, on July 4, 2007) and of Trans Union de Mexico, a credit bureau affiliate company, which contributed a gain of Ps.36 million.

Net income

Net income was Ps.22,541 million for 2010 compared to Ps.18,446 million for 2009, an increase of Ps.4,095 million or 22.2%, as a result of the combination of a higher net interest income, and significantly lower provisions for loan losses, principally in our consumer portfolio reflecting the overall recovery of the Mexican economy.

Year ended December 31, 2009 compared to year ended December 31, 2008

The annual financial information presented in this section for the years ended December 31, 2008 and 2009 has been derived from and should be read in conjunction with our audited financial statements and the notes thereto included elsewhere in this offering memorandum. Such annual financial information, unless stated differently, is presented in nominal pesos. Due to Mexican regulations the information prior to January 1, 2008 is presented in constant pesos as of December 31, 2007.

Net interest income

The following table sets forth the components of our net interest income:

	For the years ended December 31,	
	2008	**2009**
	(millions of Ps.)	
Interest Income:		
Interest and fees on loans(1)	Ps. 70,540	Ps. 66,942
Interest on securities	26,697	22,555
Interest on cash and due from banks	6,271	4,199
Interest on repurchase agreements(2)	1,345	1,832
Interests on margin accounts	204	119
Other	1,317	1,978
Total interest income	Ps. 106,374	Ps. 97,625
Interest Expense:		
Interest on demand deposits	3,380	2,771
Interest on time deposits(3)	14,244	11,886
Interest on banks and other organisms loans	3,183	1,623
Interest on subordinated debentures	1,457	2,085
Interest on repurchase agreements(2)	25,003	19,687
Other…	(436)	353
Total interest expense	46,831	38,405
Net interest income	Ps. 59,543	Ps. 59,220

(1) Interest income includes origination fees on loans of Ps.897 million for 2009 and Ps.742 million for 2008. Includes interest earned on Special Cetes held in connection with funding the UDI Trusts, extinguished in November 2009. See "—Financial Position."
(2) Interest income on repurchase agreements primarily represents interest income on derivatives and securities purchased under agreements to resell in accordance with Mexican Banking GAAP. Interest expense on repurchase agreements primarily represents interest expense on funds received in connection with securities sold under agreements to repurchase in accordance with Mexican Banking GAAP. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."
(3) Includes interest on local bank bonds.

Net interest income was Ps.59,220 million for 2009 compared to Ps.59,543 million for 2008, a decrease of Ps.323 million, or 0.5%. This decrease was the result of a 8.2% decrease in interest income, which was partially offset by a 18% decrease in interest expense. The reduction in interest income was primarily the result of lower activity in the loan portfolio, given the less favorable macroeconomic environment and lower interest reference rate (the average of TIIE (*Tasa de Interés Interbancaria de Equilibrio*) decreased from 8.3% during 2008 to 5.9% during 2009). We also registered a shift in the loan portfolio mix by changing from less consumer loans to more mortgages and commercial loans resulting in a decrease of net interest income.

In terms of margins in local currency, the difference between the interest rate we charged on average interest-earning assets of 10.5% and the interest rate we paid on average interest-bearing liabilities of 4.2% resulted in a yield spread of 6.3% for 2009, compared to a yield spread of 6.7% for 2008.

Interest income

Interest income was Ps.97,625 million for 2009 compared to Ps.106,374 million for 2008, a decrease of Ps.8,749 million, or 8.2%. This decrease was primarily the result of lower loan volumes due to a reduction in the activity of the financial markets, given the unfavorable macroeconomic environment. This decrease was also a result of lower yields and interest rates on securities due to the economic policies taken by the government to keep interest rates low to offset the negative effects of the financial crisis.

Interest and fees on loans was Ps.66,942 million (or 68.6% of interest income) for 2009 compared to Ps.70,540 million (or 63.3% of interest income) for 2008, a decrease of Ps.3,598 million, or 5.1%. This decrease was primarily attributable to a decrease of 14.3% in the size of our outstanding consumer loan portfolio in 2009 (particularly in credit cards).

Interest on securities was Ps.22,555 million (or 23.1% of interest income) for 2009 compared to Ps.26,697 million (or 25.1% of interest income) for 2008, a decrease of Ps.4,142 million, or 15.5%. As mentioned above, this decrease was primarily attributable to lower yields and interest rates on investments in securities due to the economic policies taken by the government.

Interest on repurchase agreements was Ps.1,832 million (or 1.9% of interest income) for 2009 compared to Ps.1,345 million (or 1.3% of interest income) for 2008, an increase of Ps.487 million, or 36.2%. This growth was primarily attributable to the low interest rates levels in the market and favorable movements in the operations levels.

Interest on cash and due from banks was Ps.4,199 million (or 4.3% of interest income) for 2009 compared to Ps.6,271 million (or 5.9% of interest income) for 2008, a decrease of Ps.2,072 million or 33.0%. The decrease was primarily attributable to lower interest earned as a result of the lower interest rates implemented by Mexico's monetary policy.

Interest expense

Interest expense was Ps.38,405 million for 2009 compared to Ps.46,831 million for 2008, a decrease of Ps.8,426 million, or 18.0%. This decrease was primarily the result of a reduction in our funding costs, which resulted from generally lower interest rates in spite of higher volumes of demand and time deposits during 2009.

Interest on time deposits and local bank bonds (*certificados bursátiles*), or bonds and senior debt issued by us, was Ps.11,886 million (or 30.9% of interest expense) for 2009, compared to Ps.14,244 million (or 30.4% of interest expense) for 2008, a decrease of Ps.2,358million or 16.6%. This decrease was primarily attributable to a decrease in interest rates in 2009. Our funding through demand and time deposits grew 6.9% in 2009 and the contribution of time deposits to this mix decreased from 36.1% in 2008 to 34.7% while the contribution of demand deposits grew from 63.9% in 2008 to 65.3% (140 basis points higher) which results in an improvement in our funding cost, due to the fact that demand deposits represent our lowest-cost source of funding.

Interest on repurchase agreements was Ps.19,687 million (or 51.3% of interest expense) for 2009 compared to Ps.25,003 million (or 53.4% of interest expense) for 2008, a decrease of Ps.5,316 million or 21.3%. This decrease primarily reflected a reduction of interest rates over the period with respect to previous year in securities sold under agreements to repurchase due to a countercyclical monetary policy.

Provisions

Provisions for loan losses charged against earnings were Ps.27,255 million for 2009 compared to Ps.23,994 million for 2008, an increase of Ps.3,261 million, or 13.6%. The increase in loan loss provisions was primarily attributable to the deterioration of the consumer loan portfolio. Additionally, in the fourth quarter of 2009 we booked an additional one-time provision due to the implementation of stricter parameters for determining the amount of provisions for our retail portfolio, based on our own internal model of expected losses. See "Risk Factors—Risks Relating to Our Business—The retail banking market is exposed to macroeconomic shocks that may negatively impact household income, and a downturn in the economy could result in increased loan losses."

During 2009, the CNBV also approved a provision for loan losses charged against stockholders' equity, taking into account the results from prior years which showed Ps.1,323 million in 2009 compared to Ps.1,699 million in 2008. See note 13 to our audited financial statements included elsewhere in this offering memorandum.

Non-interest income

The following table sets forth the components of our non-interest income:

	For the years ended December 31,	
	2008	2009
	(millions of Ps.)	
Commissions and Fees:		
Account management	Ps. 2,944	Ps. 3,134
Cash management and fund transfers	2,970	3,127
Credit card	7,224	5,396
ATMs	600	685
Pension fund management	2,127	2,332
Mutual fund management(1)	605	1,304
Insurance(1)	1,015	1,016
Other	1,185	1,689
Total commissions and fees	18,670	18,683
Trading Income:		
Valuation Result:		
Derivatives	(3,359)	3,944
Foreign Currency	1,911	(4,970)
Securities investments	(2,320)	3,349
Total valuation result	(3,768)	2,323
Purchase-sale result:		
Derivatives	1,854	2,040
Foreign Currency	1,512	1,584
Securities investments	2,624	332
Total purchase-sale result	5,990	3,956
Total trading income (loss), net	2,222	6,279
Other Operating Income (expenses)	(1,135)	169
Total non-interest income	Ps. 19,757	Ps. 25,131

(1) These are services provided through GFBB affiliates.

Non-interest income, including trading income was Ps.25,131 million for 2009 compared to Ps.19,757 million for 2008, an increase of Ps.5,374 million, or 27.2%. This increase primarily reflected an increase in trading income resulting from surpluses of the valuation on securities and hedging derivatives, which contrast to the significant losses for valuation on securities during the previous year. Commissions and fees, in 2009 were essentially unchanged from 2008 because of the lower volumes of transactions, in line with the economic slowdown from 2008 to 2009.

Net commissions and fees were Ps.18,683 million for 2009 compared to Ps.18,670 million for 2008, an increase of Ps.13 million, or 0.1%. This increase was primarily attributable to an increase of mutual fund management commissions (reflecting mutual fund volumes increasing 13% during 2009), in pension fund management and in other commissions (mainly came from middle-market credit commissions), which were offset by lower credit card fees, which decreased Ps.1,828 million or 25.3%, as a result of the lower level of consumption due to the world financial crisis.

Account management fees were Ps.3,134 million (or 16.8% of commissions and fees) for 2009, compared to Ps.2,944 million (or 15.8% of commissions and fees) for 2008, an increase of Ps.190 million or 6.5%, which was primarily attributable to a higher volume of deposits observed in retail banking, due to the expansion of our customer base.

Cash management and fund transfer fees were Ps.3,127 million (or 16.7% of commissions and fees) for 2009, compared to Ps.2,970 million (or 15.9% of commissions and fees) for 2008, an increase of Ps.157 million, or 5.3%, which reflected an increased use of cash management services by our corporate customers, as well as decrease in remittances fees resulting from the diminishing activity of Mexican workers in the United States.

Credit card fees, which include merchant fees were Ps.5,396 million (or 28.9% of commissions and fees) for 2009 compared to Ps.7,224 million (or 38.7% of commissions and fees) for 2008, a decreased of Ps.1,828 million, or 25.3%. This decrease in credit card fees charged during 2009 was primarily attributable to a decrease in transactions and lower issuances of new credit cards, which decreased approximately 25% in 2009 with respect to the previous year.

Pension fund management fees were Ps.2,332 million (or 12.5% of commissions and fees) for 2009 compared to Ps.2,127 million (or 11.4% of commissions and fees) for 2008, an increase of Ps.205 million, or 9.6%. This increase was primarily due to an increase of 26.3% in the amount of resources managed by the funds, which grew to Ps.180.1 billion in 2009 from Ps.142.6 billion in 2008.

Commissions and fees represented 74.3% of non-interest income for 2009 compared to 94.5% for 2008.

Gains from trading activities were Ps.6,279 million for 2009 compared to a gain of Ps.2,222 million for 2008, an increase of Ps.4,057 million or 182.6%. The increase was mainly attributable to a profit on the valuation of investments on securities and hedging derivatives of Ps. 2,323 million in 2009 compared to a loss of Ps.3,768 million in 2008, which resulted from low interest rates levels in the market during 2009. In 2009 we had gains of Ps. 3,956 million from purchase and sale of securities and derivatives and foreign exchange transactions compared to a profit of Ps.5,990 million in 2008, a decrease of Ps.2,034 million or 34%. This decrease resulted from a Ps.2,372 million gain from the purchase and sale of securities and derivatives compared to a profit of Ps.4,478 in 2008, which represents a decrease of Ps. 2,106 million or 47.0%. Foreign exchange revenues resulting from spot foreign exchange transactions and foreign exchange derivatives were essentially unchanged for 2009 compared to 2008.

Non-interest expense

The following table sets forth the components of our non-interest expense:

	For the years ended December 31,	
	2008	2009
	(millions of Ps.)	
Salaries and employee benefits	Ps. 975	Ps. 1,295
Administrative and operational expenses	22,951	22,719
Rent, depreciation and amortization	3,592	4,618
Taxes other than income taxes	1,588	1,932
Contribution to IPAB	2,245	2,527
Total non-interest expense	Ps. 31,351	Ps. 33,091

Non-interest expense was Ps.33,091 million for 2009 compared to Ps.31,351 million for 2008, an increase of Ps.1,740 million, or 5.6%, this was primarily the result of higher rent, depreciation and amortization, as well as an increase in taxes and other than income taxes.

Salaries and employee benefits, was Ps.1,295 million (or 3.9% of non-interest expense) for 2009 compared to Ps.975 million (or 3.1% of non-interest expense) for 2008, an increase of Ps.320 million or 32.8%. The increase was primarily attributable to an increase in salaries and benefits in the Bank's subsidiaries, mainly in Afore Bancomer. In addition, there was an increase of approximately Ps.150 million in provisions and fund pensions, mainly related to medical expenses for retired employees.

Administrative and operational expenses, the largest component of non-interest expense were Ps.22,719 million (or 68.7% of non-interest expense) for 2009 compared to Ps.22,951 million (or 73.2% of non-interest expense) for 2008, a decrease of Ps.232 million, or 1.0%. This decrease was the result of introducing high technology in its processes, quality metrics and methodologies aimed at increasing our efficiency.

Rent, depreciation and amortization expenses were Ps.4,618 million (or 14.0% of non-interest expense) for 2009 compared to Ps.3,592 million (or 11.5% of non-interest expense) for 2008, an increase of Ps.1,026 million, or 28.6%. The increase was primarily the result of an increase in rental rates denominated in U.S. currency, as a result of the peso depreciation with respect to U.S. dollar (the average of the depreciation of peso/U.S. dollar during 2009 with respect to 2008 was 21.1%). Many of our corporate and branch buildings in Mexico have their rental contracts denominated in U.S. dollars.

Taxes other than income taxes were Ps.1,932 million for 2009 compared to Ps.1,588 million for 2008, an increase of Ps.344 million, or 21.7%, which was primarily attributable to an increase in the proportion of value-added taxes that are paid by us with respect to such creditable value-added taxes.

Contributions to IPAB were Ps.2,527 million for 2009 compared to Ps.2,245 million for 2008, an increase of Ps.282 million, or 12.6%. This increase was attributable to a wider deposit base, mainly attributable to an increase in banking deposits that grew 9.2% in 2009.

Other income (expense), net

Other income (expense) net was an expense of Ps.146 million for 2009 compared to an expense of Ps.743 million for 2008, a decrease of Ps.597 million or 80.3%. The decrease was primarily the result of minor adjustments in employment-related liabilities of the annual actuarial calculations in 2009 in comparison to the previous years, in order to constitute the value of the liabilities and assets required for retired employees. The charges to results for these deviations were Ps.672 million for 2009 and Ps.1,372 million for 2008.

Current and deferred income tax and employee profit sharing

Current and deferred income tax was an expense of Ps.5,482 million for 2009 compared to Ps.4,787 million for 2008, an increase of Ps.695 million, or 14.5%, with an effective tax rate of 23.0% in 2009 compared to 20.6% in 2008, an increase of 2.4% primarily as a result of an increase in income before taxes.

Current income taxes were Ps.7,105 million for 2009 compared to Ps.9,654 million for 2008, a decrease of Ps.2,549 million or 26.4%.

Deferred income tax was Ps.1,623 million for 2009 compared to Ps.4,867 million for 2008, a decrease of Ps.3,244 million, or 66.7%. The decrease was primarily the result of (i) the deduction of a preventive estimate for loan risks not exceeding 2.5% of our average annual loan portfolio; (ii) the valuation of financial instruments; and (iii) loss on sale of loan portfolios. See note 26 to our financial statements included elsewhere in this offering memorandum.

Share in net income (loss) of unconsolidated subsidiaries and affiliates

Our share of the results of our unconsolidated subsidiaries and affiliates was a gain of Ps.301 million for 2009 compared to a gain of Ps.96 million for 2008, which represents an increase of Ps.205 million or 213.5%. This increase was primarily attributable to the results of Siefore Bancomer (Real y Protege), which contributed to a gain of Ps.166.2 million; I+D, S.A. de C.V., an electronic toll-booth operator, which contributed with a gain of Ps.54.1

million and of Trans Union de Mexico, a credit bureau affiliate company, which contributed a gain of Ps.30.9 million.

Net income

Net income was Ps.18,446 million for 2009 compared to Ps.18,349 million for 2008, an increase of Ps.97 million or 0.5%, as a result of the combination of recurring commissions, control in expenses and trading income, which offset lower net interest income into a context of a sharp decline of the economy and increased provisioning for loan losses, mainly related to the deterioration of our consumer portfolio.

Financial Position

The following discussion compares our consolidated financial position as of December 31, 2008, 2009 and 2010. In this section, unless stated differently, the information is presented in nominal pesos. Due to Mexican regulations the information prior to January 1, 2008 is presented in constant pesos of December 31, 2007.

Assets

As of December 31, 2010, we had total assets of Ps.1,098,162 million, compared to Ps.1,093,391 million as of December 31, 2009, representing an increase of 0.4%. This increase was attributable to a 12.0% increase in total performing loans, mainly driven by a significant increase in government and consumer loans. This growth has been consistent with the recovery of the Mexican economy.

As of December 31, 2009, we had total assets of Ps.1,093,391 million, compared to Ps.1,135,932 million as of December 31, 2008, representing a decrease of 3.7%. This decrease was attributable to a 12.3% decrease in cash due from banks, primarily related to lower investments in foreign financial institutions.

As of December 31, 2008, we had total assets of Ps.1,135,932 million, an increase of 11.2% compared to Ps.1,021,613 million as of December 31, 2007. The increase was primarily attributable to a 20.3% increase in our performing loan portfolio, mainly related to an increase in commercial lending.

Total performing loans

As of December 31, 2010, we had total performing loans of Ps.565,302 million compared to Ps.504,555 million as of December 31, 2009, an increase of 12.0%. This increase was generally the result of the recovery of the Mexican economy and in particular of a 13.3% increase in commercial loans, principally driven by a 56.8% increase in government loans and a 14.4% increase in consumer loans, in each case compared to the preceding year. As of December 31, 2010, performing commercial loans represented 53.3% of total performing loans, performing consumer loans represented 21.0% of total performing loans, and performing mortgage loans represented 25.7% of total performing loans.

As of December 31, 2009, we had total performing loans of Ps.504,555 million compared to Ps.501,645 million as of December 31, 2008, an increase of 0.6%. This increase was primarily the result of a 5.1% increase in commercial loans, which include three main divisions: business or commercial activity, financial and government entities. Performing commercial loans represented 52.7% of total performing loans as of December 31, 2009, performing consumer loans represented 20.6% of total performing loans and performing mortgage loans represented 26.8% of total performing loans.

We had total performing loans of Ps.501,645 million as of December 31, 2008, compared to Ps.452,157 million as of December 31, 2007 an increase of 10.9%. This increase was the result of greater loan origination, mainly attributable to a 20.3% increase in the commercial loan portfolio. Performing commercial loans represented 50.4% of total performing loans as of December 31, 2008, performing consumer loans represented 24.1% of total performing loans and performing mortgage loans represented 25.5% of total performing loans.

Total non-performing loans

As of December 31, 2010, we had total non-performing loans of Ps.14,423 million compared to Ps.19,838 million as of December 31, 2009, a decrease of Ps.5,415 million or 27.3%. This decrease was a result of a significant improvement in the delinquency rate, mainly related to the economic recovery of the Mexican economy that showed a GDP growth of 5.5% in 2010, compared to the 6.6% GDP contraction in 2009. As of December 31, 2010, non-performing consumer loans represented 0.9% of total loans, non-performing mortgage loans represented 0.9% of total loans and non-performing commercial loans represented 0.7% of total loans.

As of December 31, 2009 we had total non-performing loans of Ps.19,838 million compared to Ps.16,420 million as of December 31, 2008, an increase of Ps.3,418 million. This increase was a result of a higher delinquency rate, mainly related to the consumer portfolio, particularly in credit card loans. As of December 31, 2009, non-performing consumer loans represented 1.7% of total loans, non-performing mortgage loans represented 1.3% of total loans and non-performing commercial loans represented 0.9% of total loans.

We had total non-performing loans of Ps.16,420 million as of December 31, 2008 compared to Ps.10,682 million as of December 31, 2007, an increase of Ps.5,738 million. The increase was the result of greater loan origination, mainly in the commercial loan portfolio, which grew 20.3%. As of December 31, 2008, non-performing consumer loans represented 1.9% of total loans, non-performing mortgage loans represented 0.8% of total loans and non-performing commercial loans represented 0.5% of total loans.

Deferred taxes, net

Our net deferred taxes were Ps.8,665 million for 2010 compared to Ps.6,773 million for 2009, an increase of 27.9%. This increase was primarily attributable to the origination of deferred taxes, which mainly came from the allowances for loan losses.

Liabilities

As of December 31, 2010, we had total liabilities of Ps. 988,750 million compared to Ps. 994,801millon as of December 31, 2009, a decrease of Ps. 6,051 million, or 0.6%. This decrease was mainly driven by a 41.9% decrease in our liabilities from repurchase agreements resulting from a reduction in our borrowings through repurchase agreements, and a 9.7% decrease in time deposits, in each case as compared to the previous year. The decrease in time deposits was a result of BBVA Bancomer's funding strategy which resulted in a 13.4% increase in demand deposits.

We had total liabilities of Ps.994,801 million as of December 31, 2009 compared to Ps.1,054,789 million as of December 31, 2008, a 5.7% decrease. This decrease was attributable to a 63.9% reduction in interbank loans, mainly on the demand side.

We had total liabilities of Ps.1,054,789 million as of December 31, 2008 compared to Ps.942,710 million as of December 31, 2007, an increase of Ps.112,079 million. This increase was primarily attributable to a 11.9% increase in the volume of deposits.

Deposits

As of December 31, 2010 we had total deposits (including local bank bonds) of Ps.617,335 million compared to Ps.588,514 million as of December 31, 2009, an increase of Ps.28,821 million, or 4.9%. This increase was primarily the result of an increase in demand deposits of Ps.47,491 million or 13.4% resulting from our strategy to increase our deposit base and maintain competitive funding costs.

As of December 31, 2009 we had total deposits of Ps.588,514 million compared to Ps.555,227 million as of December 31, 2008, an increase of Ps.33,287 million. This increase was primarily the result of an increase in demand deposits of Ps.29,894 million or 9.2%, and in time deposits of Ps.4,988 million or 2.7%, as a result of an improvement in our funding mix, with higher volumes in deposits with lower funding cost.

We had total deposits of Ps.555,227 million as of December 31, 2008 compared to Ps.476,528 million as of December 31, 2007, an increase of Ps.78,699 million. The increase was due to a 16.5% increase in demand deposits, and a 14.6% increase in time deposits.

Local bank bonds

We had total bank bonds issued by Bancomer of Ps.44,619 million as of December 31, 2010 compared to Ps.45,024 million as of December 31, 2009, a decrease of Ps.405 million, or 0.9%.

Interbank loans and loans from other entities

As of December 31, 2010 we had interbank loans and loans from other entities of Ps.60,425 million compared to Ps.14,010 million as of December 31, 2009, an increase of Ps.46,415 million. This increase was the result of an increase in demand loans of Ps. 46,675 million. Interbank loans and loans from other entities represented 6.1% of total liabilities as of December 31, 2010.

We had interbank loans and loans from other entities of Ps.14,010 million as of December 31, 2009 compared to Ps.38,820 million as of December 31, 2008, a decrease of Ps.24,810 million. This decrease was the result of a significant decrease in payable on demand loans, mainly of short-term loans. Interbank loans and loans from other entities represented 1.4% of total liabilities as of December 31, 2009.

We had interbank loans and loans from other entities of Ps.38,820 million as of December 31, 2008 compared to Ps.25,511 million as of December 31, 2007, an increase of Ps.13,309 million. This increase was the result of a 188.0% increase in payable on demand loans. Interbank loans and loans from other entities represented 3.7% of total liabilities as of December 31, 2008.

Subordinated debt

On April 22, 2010, we issued in the international markets U.S.$ 1,000 million Non-Cumulative Fixed Rate Subordinated Non-Preferred Notes due 2020. At December 31, 2010, we had approximately Ps.41,287 million of outstanding subordinated debentures, which represented 4.2% of our total liabilities.

On June 19, 2009, we issued the 2019 Debentures at TIIE plus 130 basis points payable every 28 days and maturing on June 7, 2019. At December 31, 2009, we had approximately Ps.37,175 million of outstanding subordinated debentures, which represented 3.7% of our total liabilities.

On December 10, 2008, we issued the 2020 Debentures at TIIE plus 100 basis points payable every 28 days and maturing on November 26, 2020. On October 6, 2008, we issued Debentures at the TIIE plus 65 basis points payable every 28 days and maturing on September 24, 2018. On July 28, 2008, we issued the 2018 Debentures at TIIE28 plus 60bp payable every 28 days and maturing on July 16, 2018. On May 17, 2007, we issued the 2022 Debentures at 6.008% fixed rate, maturing on May 17, 2022, together with the 2017 Debentures at 4.799% fixed rate, maturing on May 17, 2017. On September 28, 2006, we issued the 2014 Debentures at TIIE28 plus 30bp payable every 28 days and maturing on September 18, 2014. At December 31, 2008, we had outstanding subordinated debentures of approximately Ps.35,620 million, which represented 3.4% of our total liabilities.

Stockholders' equity

Our stockholders' equity was Ps. 109,412 million as of December 21, 2010 compared to Ps. 98,590 million as of December 31, 2009, an increase of Ps. 10,822, or 11.0%. This increase was mainly the result of a 22.2% increase in net income. Stockholders' equity represented 10.0% of our total assets as of December 31, 2010.

As of December 31, 2009 our stockholders´ equity was Ps.98,590 million compared to Ps.81,143 million as of December 31, 2008 an increase of Ps.17,447 million, or 21.5%. This increase was a result of an increase of retained earnings. In addition, as a consequence of the merger with Bancomer Servicios, we registered an increase in paid-in capital for Ps.415 million. Stockholders’ equity represented 9.0% of our total assets as of December 31, 2009. See note 27 to our audited financial statements included elsewhere in this offering memorandum.

Our stockholders’ equity was Ps.81,143 million as of December 31, 2008 compared to Ps.78,903 million as of December 31, 2007, an increase of Ps.2,240 million, or 2.8%. The increase was a result of higher retained earnings. Stockholders’ equity represented 7.1% of our total assets as of December 31, 2008.

Liquidity and Funding

The purpose of liquidity management is to ensure that we have funds available to meet our present and future financial obligations and to respond to business opportunities as they arise. Liquidity needs arise from withdrawals of deposits, repayments on maturity of borrowed funds, extensions of loans or other forms of credit and working capital needs.

We have three principal sources of peso funding: (1) customer deposits, which are highly concentrated in interest bearing demand deposits, (2) pagarés bancarios, which are short-term promissory notes and (3) repurchase agreements (see “Annex A—Significant differences between Mexican Banking GAAP and U.S. GAAP—Repurchase Agreements”). The high concentration of interest bearing demand deposits as compared with term obligations reflects public demand for highly liquid deposit instruments with high yields as a result of Mexico’s long history of high inflation. Our policy is to price our assets based upon our highest cost source of funds both to ensure that loan pricing reflects our current liquidity conditions and to maximize net interest income.

Customer deposits are our most important funding source and are also our least expensive one. Our funding strategy focuses on increasing the sources of low-cost funding through new banking products and commercial campaigns oriented to grow the volume of demand deposits from our existing customers and expand our customer base. Pagarés bancarios are generally issued to meet our short-term funding needs; we seek to replace them with deposits as soon as practical. Pagarés bancarios are generally issued with maturities ranging from one to 128 days. As of December 31, 2010, we had Ps.617,335 million (62.4% of total liabilities) of total deposits.

In the future, we expect to continue using all three funding sources in accordance with their availability, their cost, and our asset and liability management needs. We are aware of the liquidity risk represented by the short-term nature of our funding sources; however, we believe we can respond to a liquidity problem by increasing the interest rates we pay on deposits, by altering our mix of funding sources and by liquidating our short-term assets. We review our pricing policy daily and we believe we are able to reflect higher costs of funding in the pricing of our loans quickly, reducing the effect of any increases in interest paid on deposits as a result of decreased liquidity on our results of operations.

We complement our medium and long-term peso funding by issuing securities in the Mexican market. In November 2006, we established a Ps.20,000 million program for the issuance of “Certificados Bursátiles” in Mexico. The “Certificados Bursátiles” program provides for the issuance of peso or UDI denominated notes with tenors of up to 35 years, and it has been recently broadened to issue up to Ps.60,000 million. To complement this program, in January 2011 we established a new 5-year Ps.60,000 million program registered with the CNBV for the issuance of “certificados bursátiles” in UDIS and in pesos in Mexico. As of the date of this offering memorandum, we issued approximately Ps.47,742 million of notes under both programs, of which approximately Ps.32,827 million was denominated in pesos and approximately Ps.14,915 million was denominated in UDIs.

The funding for our UDI Trusts is provided by UDI-denominated deposits from the Mexican government. In return, we purchased from the Mexican government Special Cetes having an interest rate based on the Cetes rate and maturities and principal amounts that mirror the maturities and the principal amount of the loans in the UDI Trusts. The Special Cetes pay interest in cash only as the loans in the UDI Trusts mature. The Mexican government’s UDI-denominated deposits have a fixed real interest rate, which varies depending on the type of loan in the UDI Trusts. We have complemented our UDI funding by issuing “Certificados Bursátiles” as described above. The trusts created for the administration of these UDI-denominated loans were extinguished at the end of November, 2009 and the balances were incorporated to the Bancomer´s balance sheet.

Our management expects that cash flow from operations and other sources of liquidity, including the net proceeds of this offering will be sufficient to meet our liquidity requirements over the next 12 months, including our expected 2011 capital expenditures discussed below.

Foreign Currency Position

Our foreign-currency denominated assets, substantially all of which are dollar denominated, are funded from a number of sources. These sources include deposits of the same currency obtained from various sources, primarily through deposits of private banking customers, medium and large Mexican companies, primarily in the export sector, the placement of certificates of deposit in the Eurodollar market, interbank deposits, fixed-rate notes and subordinated debentures and asset securitizations. In the case of foreign trade transactions, we use trade financing facilities from Mexican development banks and foreign export-import banks. Foreign currency funding rates are generally based on the London Interbank Offered Rate, or LIBOR.

Banco de México regulations require that a bank maintain open positions in foreign currencies no higher than a specified level with respect to its total Tier 1 Capital. As of December 31, 2010, our foreign currency-denominated assets, including derivative transactions, totaled U.S.$41.9 billion (Ps.518,177 million). At that date, our foreign currency-denominated liabilities, including derivative transactions, totaled to U.S.$42.1 billion (Ps.519,498 million), representing 52.5% of our total liabilities. See "Selected Statistical Information—Interest-Bearing Deposits with Other Banks." As part of our asset liability management strategy, we monitor closely our exposure to foreign currencies, with a view to minimizing the effect of exchange rate movements on our income.

As of December 31, 2010, we are also in compliance with the limit established for us by Banco de México for maturity-adjusted net foreign currency-denominated liabilities, which was U.S.$16.1 billion (Ps. 199,767 million). As of such date, our maturity-adjusted net foreign currency-denominated liabilities were U.S.$5.6 billion (Ps 68,639 million). For a discussion of the components of Tier 1 and Tier 2 Capital, see "Supervision and Regulation."

For the years ended December 31, 2008, 2009, and 2010 we were in compliance with all regulatory requirements relating to the ratio of dollar-denominated liabilities to total liabilities.

Capital Expenditures

Capital expenditures have primarily consisted of expenditures for technology and systems, which increased its weight with respect to the total investment in capital expenditures from 52% in 2008 to 66% in 2009. In 2010, this weight decreased to 55% mainly because we redefined our capital expenditures plan and scheduled investments in technology and systems for the next years. The purpose of our capital expenditures plan is to increase the development of new strategies and programs, enhance long-term productivity, significantly change our processes and develop new business models.

In 2010, we made investments in capital expenditures for an aggregate amount of U.S.$147 million, which primarily consisted of technology and systems, and new ATMs. These expenditures were funded with cash generated from our operations and other sources of liquidity. We expect to have capital expenditures for each of 2011 and 2012 of approximately U.S.$ 220 million for each year (including value-added taxes). We intend to fund such capital expenditures from internal resources. In addition, we expect to invest approximately U.S.$900 million in connection with the development of our new corporate and operative buildings. This investment will be disbursed over the next three years and we expect to complete the construction of the buildings by 2013.

Risk-Based Capital

Pursuant to the Mexican Capitalization Requirements, we are required to maintain specified levels of net capital on an unconsolidated basis as a percentage of risk-weighted assets and credit risk. The Rules for Capitalization and the Mexican Capitalization Requirements set forth the methodology to determine the net capital required relative to market risk and risk-weighted assets. See "Supervision and Regulation—Capitalization." Those regulations provide that (1) our investment in subsidiaries that are related to us in accordance with Article 73 of the

Mexican Banking Law, (2) our investment in subsidiaries that do not operate in the financial sector, and (3) revaluation surpluses related to the investments referred to in (1) and (2) above, must be subtracted from the calculation of Tier 1 Capital. The minimum Capital Ratio currently required by the Mexican Capitalization Requirements in order not to be required to defer or cancel interest payments or defer principal payments of our subordinated debt, as applicable, that qualifies to be computed as part of our total net capital is 8.0%. In addition, if our board of directors determines that it is immediately imminent that our Capital Ratio will decline below the minimum percentage required, it may resolve to cancel interest payments and suspend principal payments of our subordinated debt, as applicable, that qualified as our total capital. As of December 31, 2010, our Capital Ratio was 15.10%. The tables below present our risk-weighted assets and Capital Ratios as of December 31, 2009 and 2010, determined, as required by regulations, on an unconsolidated basis.

	As of December 31,	
	2009	2010
	(millions of Ps.)	
Tier 1	Ps. 100,268	Ps. 113,589
Tier 2	25,074	27,652
Total capital	Ps. 125,342	Ps. 141,241
Risk-weighted assets:		
Credit risk	507,711	554,556
Total risk weighted assets	840,136	935,352
Capital ratios (credit, market and operational risk)(1):		
Tier 1 Capital to risk-weighted assets	11.93%	12.14%
Tier 2 Capital to risk-weighted assets	2.98%	2.96%
Total capital to risk-weighted assets	14.92%	15.10%

(1) The difference between the capital ratios presented in this table and the capital ratios presented in note 25 to the financial statements included elsewhere in this offering memorandum is attributable to the fact that the capital ratios presented in this table are based on numbers furnished to the CNBV after the issuance of such financial statements.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to a number of off-balance sheet activities that contain credit, market and operational risk that are not reflected in our consolidated financial statements. These activities include commitments to extend credit not otherwise accounted for as contingent loans, such as overdrafts and credit card lines of credit, and long-term contractual obligations under operating leases or service contracts. We record our off-balance sheet arrangements as memorandum accounts, which are described more fully in note 3 to our audited financial statements included elsewhere in this offering memorandum.

We provide customers with off-balance sheet credit support through loan commitments. Such commitments are agreements to lend to a customer at a future date, subject to compliance with the contractual terms. Since substantial portions of these commitments are expected to expire without our having to make any loans, total commitment amounts do not necessarily represent our actual future cash requirements. These loan commitments totaled Ps.199,413 million as of December 31, 2010 and Ps.198,764 million as of December 31, 2009.

The credit risk of both on- and off-balance sheet financial instruments varies based on many factors, including the value of collateral held and other security arrangements. To mitigate credit risk, we generally determine the need for specific covenant, guaranty and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the customer's creditworthiness. We may also require comfort letters and oral assurances. The amount and type of collateral held to reduce credit risk varies, but may include real estate, machinery, equipment, inventory and accounts receivable, as well as cash on deposit, stocks, bonds and other marketable securities that are generally held in our possession or at another appropriate custodian or depository. This collateral is valued and inspected on a regular basis to ensure both its existence and adequacy. Additional collateral is required when deemed necessary by us.

SELECTED STATISTICAL INFORMATION

The following information should be read in conjunction with "Presentation of Certain Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited financial statements, together with the notes thereto, included elsewhere in this offering memorandum.

Unless otherwise specified, in accordance with Mexican Banking GAAP, our financial statements and the other financial information about us contained in this offering memorandum are presented in consolidated form. In accordance with Mexican Banking GAAP, only those subsidiaries that operate in the financial sector or that provide auxiliary or complementary services are consolidated for the purposes of presenting our consolidated financial information. Our other affiliates, which represent less than 1% of our net income, are accounted for under the equity method. See note 18 to our audited financial statements included elsewhere in this offering memorandum.

Assets and liabilities have been classified by currency of denomination (pesos or foreign currencies), rather than by domicile of customer, because substantially all of our transactions are effected in Mexico or on behalf of Mexican residents in pesos or foreign currencies. The U.S. dollar is the principal foreign currency used in our transactions. However, Japanese yen, Swiss francs and euros are also used. For purposes of this section, all foreign currency assets and liabilities have been converted into U.S. dollars and then expressed in pesos.

Unless otherwise indicated, annual financial information of 2006 and 2007 in the following tables is presented in constant pesos as of December 31, 2007; 2008, 2009 and 2010 is presented in nominal pesos.

Because Mexican tax law does not currently provide income tax exemptions for any investment securities, we do not hold any income tax-exempt investment securities and no tax-equivalence adjustments are considered necessary.

The loan portfolio information provided in this "Selected Statistical Information" was determined in accordance with the manner in which we have presented the components of our loan portfolio elsewhere in this offering memorandum, except that the loan portfolio data presented under this "Selected Statistical Information" does not include amounts attributable to accrued interest, which as of December 31, 2010 represented less than 0.4% of our total loan portfolio. Presentation of the financial and statistical information included in this "Selected Statistical Information" may differ from the manner of presentation required by Mexican Banking GAAP for the presentation of our financial statements. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

Average Balance Sheet and Interest Rate Data

Peso-denominated average balances and interest income

Average balances for our peso-denominated assets and liabilities have been calculated in the following manner. For each month, an average of the daily peso balances was determined. The average balance for each year presented below is the average of the 12 monthly balances so determined. Interest income (expense) for each year is the total of the income (expense) for the 12 months.

For our consolidated subsidiaries, average balances have been calculated on the basis of the average of month-end balances.

Foreign currency-denominated and UDI-denominated average balances and interest income

Average balances and interest income (expense) for our foreign currency-denominated and UDI-denominated assets and liabilities have been translated into pesos and calculated in the following manner. For each month, an average of the daily foreign currency or UDI balances and of the interest income (expense) was determined. Such daily average balances and interest income (expense) are converted into pesos using the closing exchange rate for the applicable month as published by Banco de México in the Official Gazette of Mexico. The average balance for each year presented below is the average of the 12 monthly balances so determined. Interest income (expense) for each year is the total of the income (expense) for the 12 months so determined.

For our consolidated subsidiaries, average balances have been calculated on the basis of the average of month-end balances.

Average interest rate

The average annual rates earned on interest-earning assets and the average annual rate paid on interest-bearing liabilities are nominal rates.

Average assets and interest rates

The table below presents the average balance of assets, interest income and average annual interest rate for the periods specified.

	For the years ended December 31,								
	2008			2009			2010		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	(millions of pesos, except percentages)								
Deposits in banks:									
Pesos	Ps. 66,940	Ps. 5,395	8.06%	Ps. 67,573	Ps. 3,850	5.70%	Ps. 68,953	Ps. 3,205	4.65%
Foreign currency	33,537	716	2.13%	65,348	212	0.32%	19,710	77	0.39%
Subtotal	100,477	6,111	6.08%	132,921	4,062	3.06%	88,663	3,282	3.70%
Government securities:									
Pesos	283,330	22,768	8.04%	300,551	17,949	5.97%	231,032	14,330	6.20%
UDIs	4,207	253	6.01%	1,984	110	5.54%	4,018	266	6.62%
Foreign currency	10,015	370	3.69%	15,336	552	3.60%	14,876	430	2.89%
Subtotal	297,552	23,391	7.86%	317,871	18,611	5.85%	249,926	15,026	6.01%
Investment in other fixed income securities:									
Pesos	7,854	606	7.72%	15,287	808	5.29%	20,375	891	4.37%
UDIs	1,296	86	6.64%	2,101	107	5.09%	2,610	144	5.52%
Foreign currency	220	14	6.36%	79	3	3.80%	5,358	26	0.49%
Subtotal	9,370	706	7.53%	17,467	918	5.26%	28,343	1,061	3.74%
Loans:(1)									
Pesos	411,183	69,378	16.87%	438,591	65,678	14.97%	460,872	63,535	13.79%
UDIs	35,121	3,085	8.78%	30,910	2,826	9.14%	29,290	2,531	8.64%
Foreign currency	48,094	2,843	5.91%	43,873	1,787	4.07%	52,778	2,366	4.48%
Subtotal	494,398	75,306	15.23%	513,374	70,291	13.69%	542,940	68,432	12.60%
Debtors from repurchase agreements:									
Pesos	17,806	1,345	7.55%	34,424	1,832	5.32%	20,159	929	4.61%
Subtotal	17,806	1,345	7.55%	34,424	1,832	5.32%	20,159	929	4.61%
Other interest-earning assets:									
Pesos	6,562	437	6.66%	6,773	449	6.63%	7,118	468	6.57%
Foreign currency	2	–	0.00%	3	–	0.00%	2	–	0.00%
Subtotal	6,564	437	6.66%	6,776	449	6.63%	7,120	468	6.57%
Total interest-earning assets:									
Pesos	793,675	99,929	12.59%	863,199	90,566	10.49%	808,509	83,358	10.31%
UDIs	40,624	3,424	8.43%	34,995	3,043	8.70%	35,918	2,941	8.19%
Foreign currency	91,868	3,943	4.29%	124,639	2,554	2.05%	92,724	2,899	3.13%
Subtotal	926,167	107,296	11.58%	1,022,833	96,163	9.40%	937,151	89,198	9.52%

(1) Interest income includes fees on loans of Ps.3,281 million in 2008, Ps.2,485 million in 2009, Ps.3,869 million in 2010, which have been included in interest income. Fees on loans include origination fees and credit card annual fees.

	For the years ended December 31,								
	2008			2009			2010		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	(millions of pesos, except percentages)								
Equity investment:									
Pesos	2,522			5,288			11,545		
Foreign currency	877			902			1,974		
Subtotal	3,399			6,190			13,519		
Cash due from banks:									
Pesos	19,602			27,250			25,354		
Foreign currency	3,689			6,343			3,700		
Subtotal	23,291			33,593			29,054		
Allowance for loan losses:									
Pesos (includes UDIs)	(19,239)			(24,274)			(23,477)		
Foreign currency	(662)			(1,262)			(1,411)		
Subtotal	(19,901)			(25,536)			(24,888)		
Premises and equipment:									
Pesos	15,502			17,328			17,202		
Foreign currency	136			97			21		
Subtotal	15,638			17,425			17,223		
Other non interest—earning assets:									
Pesos	16,830			20,595			27,363		
UDIs	365			2,985			8,272		
Foreign currency	14,369			7,868			18,729		
Subtotal	31,564			31,448			54,364		
Total assets:									
Pesos	844,629	99,929	11.83%	924,784	90,566	9.79%	871,110	83,358	9.57%
UDIs	25,252	3,424	13.56%	22,582	3,043	13.48%	39,576	2,941	7.43%
Foreign currency	110,277	3,943	3.58%	138,587	2,554	1.84%	115,737	2,899	2.50%
Total	Ps. 980,158	Ps. 107,296	10.95%	Ps. 1,085,953	Ps. 96,163	8.86%	Ps. 1,026,423	Ps. 89,198	8.69%

Average liabilities, stockholders' equity and interest rates

The table below presents the average balances of liabilities and stockholders' equity, interest expense and average annual interest rate for the periods specified.

	For the years ended December 31,								
	2008			2009			2010		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	(millions of pesos, except percentages)								
Demand deposits (checking accounts):									
Pesos	Ps. 99,913	Ps. 2,609	2.61%	Ps. 112,179	Ps. 2,423	2.16%	Ps. 122,531	Ps. 2,432	1.98%
Foreign currency	33,979	450	1.32%	42,958	59	0.14%	39,586	24	0.06%
Subtotal	133,892	3,059	2.28%	155,137	2,482	1.60%	162,117	2,456	1.51%
Saving deposits:									
Pesos	80,294	751	0.94%	90,449	638	0.71%	95,541	747	0.78%
Foreign currency	420	2	0.48%	608	4	0.66%	639	2	0.31%
Subtotal	80,714	753	0.93%	91,057	642	0.71%	96,180	749	0.78%
Time deposits:									
Pesos	194,830	12,234	6.28%	216,919	10,585	4.88%	197,851	7,416	3.75%
UDIs	9,064	398	4.39%	9,557	419	4.38%	11,515	495	4.30%
Foreign currency	8,378	158	1.89%	8,847	20	0.23%	7,172	7	0.10%
Subtotal	212,272	12,790	6.03%	235,323	11,024	4.68%	216,538	7,918	3.66%
Short-term borrowings:									
Pesos	29,237	2,336	7.99%	17,573	1,009	5.74%	11,182	508	4.54%
Foreign currency	3,439	134	3.90%	5,592	35	0.63%	2,134	9	0.42%
Subtotal	32,676	2,470	7.56%	23,165	1,044	4.51%	13,316	517	3.88%
Long-term debt:									
Pesos	6,901	609	8.82%	7,633	534	7.00%	7,264	425	5.85%
Foreign currency	3,282	141	4.30%	1,985	67	3.38%	794	16	2.02%
Subtotal	10,183	750	7.37%	9,618	601	6.25%	8,058	441	5.47%
Subordinated Notes:									
Pesos	3,876	351	9.06%	10,990	770	7.01%	12,288	723	5.88%
Foreign currency	21,041	1,106	5.26%	24,910	1,315	5.28%	28,622	1,596	5.58%
Subtotal	24,917	1,457	5.85%	35,900	2,085	5.81%	40,910	2,319	5.67%
Creditors from repurchase agreements:									
Pesos	290,193	22,741	7.84%	331,247	17,075	5.15%	235,551	10,590	4.50%
Subtotal	290,193	22,741	7.84%	331,247	17,075	5.15%	235,551	10,590	4.50%
Total interest-bearing liabilities:									
Pesos	705,244	41,631	5.90%	786,990	33,034	4.20%	682,208	22,841	3.35%
UDIs	9,064	398	4.39%	9,557	419	4.38%	11,515	495	4.30%
Foreign currency	70,539	1,991	2.82%	84,900	1,500	1.77%	78,947	1,654	2.10%
Subtotal	784,847	44,020	5.61%	881,447	34,953	3.97%	772,670	24,990	3.23%
Non interest-bearing liabilities:									
Pesos	61,752			45,630			81,232		
UDIs	13,530			13,138			28,061		
Foreign currency	39,413			53,151			36,180		
Subtotal	114,695			111,919			145,473		
Stockholders' equity:									
Pesos	79,895			91,558			107,342		
Foreign currency	721			1,029			938		
Subtotal	80,616			92,587			108,280		
Total liabilities and stockholders' equity									
Pesos	846,891	41,631	4.92%	924,178	33,034	3.57%	870,782	22,841	2.62%
UDIs	22,594	398	1.76%	22,695	419	1.85%	39,576	495	1.25%
Foreign currency	110,673	1,991	1.80%	139,080	1,500	1.08%	116,065	1,654	1.43%
Total	Ps. 980,158	Ps. 44,020	4.49%	Ps. 1,085,953	Ps. 34,953	3.22%	Ps. 1,026,423	Ps. 24,990	2.43%

Changes in Net Interest Income and Expense—Volume and Rate Analysis

The following tables allocate, by currency of denomination, changes in our net interest income between changes in volume and changes in rates for 2010 compared to 2009 and 2008. Volume and rate variances have been calculated based on movements in average balances over the period and changes in interest rates on average balances of interest-earning assets and average balances of interest-bearing liabilities. The variances caused by changes in both volume and rate have been allocated to volume.

Interest-earning assets

	2009/2008			2010/2009		
	Increase (decrease) due to changes in:			Increase (decrease) due to changes in:		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
			(millions of pesos)			
Deposits in banks:						
Pesos	Ps. 36	Ps. (1,581)	Ps. (1,545)	Ps. 64	Ps. (709)	Ps. (645)
Foreign currency	103	(607)	(504)	(178)	43	(135)
Subtotal	139	(2,188)	(2,049)	(114)	(666)	(780)
Government securities:						
Pesos	1,028	(5,847)	(4,819)	(4,312)	693	(3,619)
UDIs	(123)	(20)	(143)	135	21	156
Foreign currency	192	(10)	182	(13)	(109)	(122)
Subtotal	1,097	(5,877)	(4,780)	(4,190)	605	(3,585)
Fixed income securities:						
Pesos	393	(191)	202	222	(139)	83
UDIs	41	(20)	21	28	9	37
Foreign currency	(5)	(6)	(11)	26	(3)	23
Subtotal	429	(217)	212	276	(133)	143
Loans:(1)						
Pesos	4,104	(7,804)	(3,700)	3,072	(5,215)	(2,143)
UDIs	(385)	126	(259)	(140)	(155)	(295)
Foreign currency	(172)	(884)	(1,056)	399	180	579
Subtotal	3,547	(8,562)	(5,015)	3,331	(5,190)	(1,859)
Debtors from repurchase agreements:						
Pesos	884	(397)	487	(657)	(246)	(903)
Subtotal	884	(397)	487	(657)	(246)	(903)
Other interest—earning assets:						
Pesos	14	(2)	12	23	(4)	19
Subtotal	14	(2)	12	23	(4)	19
Total interest-earning assets:						
Pesos	6,459	(15,822)	(9,363)	(1,588)	(5,620)	(7,208)
UDIs	(467)	86	(381)	23	(125)	(102)
Foreign currency	118	(1,507)	(1,389)	234	111	345
Total	Ps. 6,110	Ps. (17,243)	Ps. (11,133)	Ps. (1,331)	Ps. (5,634)	Ps. (6,965)

(1) Interest income includes fees on loans of Ps.3,869 million in 2010, Ps2,485 million in 2009, Ps. 3,281 million in 2008, which have been included in interest income. Fees on loans include origination fees and credit card annual fees.

Interest-bearing liabilities

	2009/2008			2010/2009		
	Increase (decrease) due to changes in:			Increase (decrease) due to changes in:		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
			(millions of pesos)			
Demand deposits (checking accounts):						
Pesos	Ps. 265	Ps. (451)	Ps. (186)	Ps. 205	Ps. (196)	Ps. 9
Foreign currency	12	(403)	(391)	(2)	(33)	(35)
Subtotal	277	(854)	(577)	203	(229)	(26)
Saving deposits:						
Pesos	72	(185)	(113)	40	69	109
Foreign currency	1	1	2	-	(2)	(2)
Subtotal	73	(184)	(111)	40	67	107
Time deposits:						
Pesos	1,078	(2,727)	(1,649)	(715)	(2,454)	(3,169)
UDIs	22	(1)	21	84	(8)	76
Foreign currency	1	(139)	(138)	(2)	(11)	(13)
Subtotal	1,101	(2,867)	(1,766)	(633)	(2,473)	(3,106)
Short-term borrowings:						
Pesos	(670)	(657)	(1,327)	(290)	(211)	(501)
Foreign currency	13	(112)	(99)	(15)	(11)	(26)
Subtotal	(657)	(769)	(1,426)	(305)	(222)	(527)
Long-term debt:						
Pesos	51	(126)	(75)	(22)	(87)	(109)
Foreign currency	(44)	(30)	(74)	(24)	(27)	(51)
Subtotal	7	(156)	(149)	(46)	(114)	(160)
Subordinated Notes:						
Pesos	498	(79)	419	76	(123)	(47)
Foreign currency	204	5	209	207	74	281
Subtotal	702	(74)	628	283	(49)	234
Creditors from repurchase agreements:						
Pesos	2,116	(7,782)	(5,666)	(4,302)	(2,183)	(6,485)
Subtotal	2,116	(7,782)	(5,666)	(4,302)	(2,183)	(6,485)
Total interest-bearing liabilities:						
Pesos	3,410	(12,007)	(8,597)	(5,008)	(5,185)	(10,193)
UDIs	22	(1)	21	84	(8)	76
Foreign currency	187	(678)	(491)	164	(10)	154
Total	3,619	(12,686)	(9,067)	(4,760)	(5,203)	(9,963)
Total net change:						
Pesos	3,049	(3,815)	(766)	3,420	(442)	2,985
UDIs	(489)	87	(402)	(61)	(117)	(178)
Foreign currency	(69)	(829)	(898)	70	121	191
Total	Ps. 2,491	Ps. (4,557)	Ps. (2,066)	Ps. 3,429	Ps. (431)	Ps. 2,998

Interest earning assets—yield and yield spread

The following table sets forth, by currency of denomination, the levels of our average interest-earning assets and net interest income, and gross and net yield and yield spread obtained, for each of the periods indicated. In addition, because loan fees are a component of pricing, a table including loan fees (which include loan origination fees and credit card fees) in net interest income has been included. For purposes of this presentation, as required under Mexican Banking GAAP, loan fees are recognized as interest income at the time the related loan is made.

	For the years ended December 31,		
	2008	2009	2010
	(millions of pesos, except percentages)		
Total average earning assets:			
Pesos	Ps. 793,675	Ps. 863,199	Ps. 808,509
UDIs	40,624	34,995	35,918
Foreign Currency	91,868	124,639	92,724
Total	926,167	1,022,833	937,151
Historical not including loan fees:			
Net interest income:			
Pesos	55,021	55,054	56,664
UDIs	3,023	2,618	2,430
Foreign Currency	1,951	1,053	1,245
Total	59,995	58,725	60,339
Gross yield:(1)			
Pesos	12.18%	10.20%	9.83%
UDIs	8.42%	8.68%	8.14%
Foreign Currency	4.29%	2.05%	3.13%
Weighted-average rate	11.23%	9.16%	9.11%
Net yield: (2)			
Pesos	6.93%	6.38%	7.01%
UDIs	7.44%	7.48%	6.77%
Foreign Currency	2.12%	0.84%	1.34%
Weighted-average rate	6.48%	5.74%	6.44%
Yield spread:(3)			
Pesos	6.27%	6.01%	6.49%
UDIs	4.03%	4.29%	3.84%
Foreign Currency	1.47%	0.28%	1.03%
Weighted-average rate	5.62%	5.19%	5.87%
Historical including loan fees:			
Net interest income:			
Pesos	Ps. 58,298	Ps. 57,532	Ps. 60,517
UDIs	3,026	2,624	2,446
Foreign Currency	1,952	1,054	1,245
Total	63,276	61,210	64,208
Gross yield:(1)			
Pesos	12.59%	10.49%	10.31%
UDIs	8.43%	8.70%	8.19%
Foreign Currency	4.29%	2.05%	3.13%
Weighted-average rate	11.58%	9.40%	9.52%
Net yield:(2)			
Pesos	7.35%	6.66%	7.49%
UDIs	7.45%	7.50%	6.81%
Foreign Currency	2.12%	0.85%	1.34%
Weighted-average rate	6.83%	5.98%	6.85%
Yield spread:(3)			
Pesos	6.69%	6.29%	6.96%
UDIs	4.04%	4.31%	3.89%
Foreign Currency	1.47%	0.28%	1.03%
Weighted-average rate	5.98%	5.44%	6.28%

(1) Gross yield is interest income divided by average earning assets.

(2) Net yield represents the total of net interest income divided by average earning assets.

(3) Yield spread represents the difference between gross yield on average interest-earning assets and cost of average interest-bearing liabilities.

Return on average total assets and average stockholders' equity

The following table presents certain of our selected financial data and ratios for the periods indicated.

	For the years ended December 31,		
	2008	2009	2010
	(millions of pesos, except percentages)		
Net income	Ps. 18,349	Ps. 18,446	Ps. 22,541
Average total assets	980,158	1,085,953	1,026,423
Average stockholders' equity	80,616	92,587	108,280
Return on average assets	1.87%	1.70%	2.20%
Return on average equity	22.76%	19.92%	20.82%
Average stockholders' equity as a percentage of average total assets	8.22%	8.53%	10.55%

Interest Rate Sensitivity of Assets and Liabilities

Interest rates

Banco de México's regulations mandate that Mexican banks base their interest rates on loans with an amount of 5 million UDIs or less on a fixed rate or a single reference rate published regularly by official sources and that the agreements for such loans specify the factor used to determine the interest rate and, if applicable, the minimum and maximum spread over the reference rate. Currently, we base the interest rates on most of our peso-denominated loans on the TIIE.

In accordance with Banco de México's regulations, our policy with respect to foreign currency-denominated loans, which are principally in U.S. dollars, is generally to price such loans on the basis of LIBOR with repricing intervals of one, three or six months. Spreads over LIBOR are determined in accordance with the marginal cost of funding in currencies other than pesos. Interest on loans to Mexican borrowers paid to Houston branches is subject to a 4.9% withholding tax, the cost of which is reflected in the determination of the overall cost of the loan to the customer. No withholding tax is applicable on loans to Mexican borrowers obtained from approved export credit agencies. Under Banco de México's regulations, an amount equivalent to a portion of our foreign currency-liabilities must be invested in low-risk, highly liquid instruments and deposits. See "Supervision and Regulation—Liquidity Requirements for Foreign Currency—Denominated Liabilities." The cost associated with funding this reserve is also included in determining the cost to customers of foreign currency-denominated loans.

Interest rate sensitivity

A key component of our asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the repricing characteristics of assets and liabilities. For any given period, the pricing structure is matched when an equal amount of assets and liabilities reprice. Any excess of assets or liabilities over these matched items results in a repricing gap or net exposure. A positive repricing gap normally means that an increase in interest rates would result in an increase in net interest income, while a decrease in interest rates would result in a decrease in net interest income.

Our interest rate sensitivity strategy takes into account, among other things, the rates of return and the underlying degree of risk, liquidity requirements, including minimum regulatory cash reserves, mandatory liquidity ratios (inapplicable to peso lending), withdrawal and maturity deposits, capital cost and additional demands for funds. Our rate and maturity mismatches and positions are monitored by us and are managed within established limits.

The following table reflects our interest-earning assets and interest-bearing liabilities as of December 31, 2010. Fixed-rate instruments were classified in this table according to their final maturity and other instruments according to their time of repricing.

	As of December 31, 2010					
	0-30 days	**31-90 days**	**91-180 days**	**181-365 days**	**Non-rate sensitive or over one year**	**Total**
	(millions of pesos, except percentages)					
Assets:						
Variable-rate commercial loans	Ps. 177,991	Ps. 20,578	Ps. 2,912	Ps. 118	Ps. 19	Ps. 201,618
Consumer loans, mortgage loans and lease receivables	66,855	8,754	11,873	20,339	166,714	274,535
Fixed-rate commercial loans	44,634	11,914	6,085	8,491	32,448	103,572
Total loans	289,480	41,246	20,870	28,948	199,181	579,725
Securities and derivatives	119,536	31,504	9,195	1,724	172,279	334,238
Creditors from repurchase agreements	(137,346)	(675)	–	(5)	–	(138,026)
Debtors from repurchase agreements	–	–	–	–	–	–
Total interest-earning assets	271,670	72,075	30,065	30,667	371,460	775,937
Equity securities	–	–	–	–	2,454	2,454
Cash, property and other non-interest earning assets	–	–	–	–	131,735	131,735
Less: Allowance for loan losses	–	–	–	–	(25,128)	(25,128)
Total assets	Ps. 271,670	Ps. 72,075	Ps. 30,065	Ps. 30,667	Ps. 480,521	Ps. 884,998
Liabilities and stockholders' equity:						
Notes sold through intermediaries	Ps. 10,485	Ps. –	Ps. 12,495	Ps. 3,900	Ps. 41	Ps. 26,921
Notes sold through branches	129,721	12,742	682	37	12	143,194
Demand deposits	234,628	1,614	132	9,717	156,510	402,601
Total deposits	374,834	14,356	13,309	13,654	156,563	572,716
Short-term debt	59,234	3,575	212	–	–	63,021
Long-term debt	27,839	3,542	43	60	18,144	49,628
Subordinated debentures	13,228	–	–	–	28,059	41,287
Other liabilities	–	–	–	–	48,934	48,934
Stockholders' equity	–	–	–	–	109,412	109,412
Total liabilities and stockholders' equity	Ps. 475,135	Ps. 21,473	Ps. 13,564	Ps. 13,714	Ps. 361,112	Ps. 884,998
Interest rate sensitivity gap	(203,464)	50,602	16,501	16,953	119,408	-
Cumulative interest rate sensitivity gap	(203,464)	(152,862)	(136,361)	(119,408)	-	-
Cumulative gap as percentage of total interest-earning assets	(26.22)%	(19.70)%	(17.57)%	(15.39)%	-	-

As of December 31, 2010, interest-earning assets totaled Ps.775,937 million. Of these assets, 35.0% repriced periodically every thirty days or less; such assets included 72.9% of commercial loans, 24.4% of consumer mortgage loans and 36.0% of investment securities and derivatives (excluding equity investments) and 0.0% of credits from repurchase agreements. The interest rates for 5.35% of interest-earning assets, comprising mostly commercial loans, are reset periodically every 31 to 180 days.

Non-interest rate sensitive assets and assets that are not repriced within a period of 365 days include, among others, cash, real and personal property and equity investments. Investments in the foregoing assets amounted to Ps.480,521 million as of December 31, 2010, which represented 54.3% of total assets.

Of our liabilities as of December 31, 2010, 73.8% consisted of deposits, totaling Ps.572,716 million, of which 65.4% reprice every 30 days or less, and 4.8% every 31 to 180 days. The remaining 26.2% of our liabilities amounting to Ps.202,870 million consisted of Ps.63,021 million of short-term borrowings, Ps.90,915 million of long-term debt, subordinated debt, funding from the Fondo de Operación y Fomento Bancario de la Vivenda, or FOVI, the Mexican government's fund for low-income housing assistance, and Ps.48,934 million of other liabilities. Of such Ps.202,870 million of liabilities, 49.4% reprice every 30 days or less, 3.7% every 31 to 180 days, 0.0% every 181-365 days, and the remaining 46.9% reprice in periods exceeding a year.

Interest-Bearing Deposits with Other Banks

Banco de México's regulations require us to maintain a minimum liquidity coefficient of certain foreign currency liabilities. See "Supervision and Regulation—Liquidity Requirements for Foreign Currency—Denominated Liabilities." A substantial majority of our short-term deposits with international banks are denominated in U.S. dollars.

Banco de México regulations require that a bank maintain open positions in foreign currencies no higher than a specified level with respect to its total Tier 1 Capital. As of December 31, 2010, our foreign currency-denominated assets, including derivative transactions, totaled U.S.$ 41.9 billion (Ps. 518,177 million). At that date, our foreign currency-denominated liabilities, including derivative transactions, totaled to U.S.$ 42.1 billion (Ps. 519,498 million), representing 52.5% of our total liabilities. See "Selected Statistical Information—Interest-Bearing Deposits with Other Banks." As part of our asset liability management strategy, we monitor closely our exposure to foreign currencies, to minimize the effect of exchange rate movements on our income.

Securities

As of December 31, 2010, we held securities in the amount of Ps.297,453 million representing 27.08% of our total assets as of that date. The following table presents our portfolio of securities at the dates indicated, including securities under repurchase and resale agreements.

	As of December 31,		
	2008	2009	2010
		(millions of pesos)	
Peso-denominated:			
Mexican government securities:			
Cetes (federal treasury securities)	Ps. 11,966	Ps. 24,771	Ps. 6,922
Special Cetes (federal treasury securities)	12,700	13,436	14,042
Bondes (federal government development bonds)	90,475	79,802	41,024
Bonos IPAB (bonds issued by IPAB)	77,600	63,771	58,978
Bono Tasa Fija (fixed-rate bond)	81,760	101,607	127,231
Total Mexican government securities	274,501	283,387	248,197
Non government securities:			
Local bank bonds and certificates	9,723	10,196	13,353
Commercial paper	128	184	354
Total non-government securities	9,851	10,380	13,707
Equity securities:			
Listed	1,891	12,866	8,345
Not listed	–	–	–
Investment in subsidiaries	1,208	1,490	1,749
Investment in affiliated companies	622	724	659
Total equity securities	3,721	15,080	10,753
Total peso-denominated	288,073	308,847	272,657
UDI-denominated:			
Mexican government securities:			
Udibonos (Federal government development bonds)	1,072	1,461	2,622
CBIC (Interchangeable stock market certificates)	4	1	1,181
Total Mexican government securities	1,076	1,462	3,803
Non-government securities:			
Local bank bonds and certificates	2,274	1,867	1,339
Total non-government securities	2,274	1,867	1,339
Total UDI-denominated	3,350	3,329	5,142
Foreign currency-denominated:			
Mexican government securities issued abroad	1,954	11,155	3,445
US Treasury securities	8,527	7,972	7,343
Commercial paper	–	–	6,838
Other fixed-income securities	125	38	–
Equity securities:			
Listed	2,085	3,307	1,982
Investment in affiliated companies	5	5	4
Investment in subsidiaries	61	44	42
Total foreign currency-denominated	12,757	22,521	19,654
Total investment securities	Ps. 304,180	Ps. 334,697	Ps. 297,453

Securities – maturities and average yields

The following table analyzes by currency, as of December 31, 2010, remaining maturities and weighted-average yields of securities held by us that have a specific date of maturity without the mark-to-market effect on securities.

	From 1 to 89 days		From 90 to 179 days		From 6 to 12 months		From 1 to 2 years		From 2 to 3 years		From 3 to 4 years		From 4 to 5 years		More than 5 years		
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total
	(millions of pesos, except percentages)																
Peso-denominated:																	
Mexican government securities:																	
Cetes (federal treasury securities)	Ps. 4,937	4.57%	Ps. -	0.00%	Ps. 1,985	4.74%	Ps. –	0.00%	Ps. –	0.00%	Ps. –	0.00%	Ps. –	0.00%	Ps. –	0.00%	Ps. 6,922
Special Cetes (federal treasury securities)	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	7	3.97%	–	0.00%	14,036	3.97%	14,043
Bondes (federal government development bonds)	28,671	4.74%	2	4.74%	5	4.75%	-	0.00%	2,288	4.75%	9,050	4.46%	1,015	4.73%	–	0.00%	41,031
BPAs (floating rate bonus bond issued by IPAD)	29,944	4.75%	601	4.65%	-	0.00%	6,095	4.71%	6,594	4.76%	4,962	4.77%	4,236	4.79%	6,545	4.90%	58,977
Bono Tasa Fija (fixed-rate bond)	74,837	5.83%	–	0.00%	776	4.29%	13,058	4.99%	3,174	5.46%	5,803	5.79%	17,167	6.23%	9,659	6.66%	124,474
Total Mexican government securities	138,389	5.33%	603	4.65%	2,766	4.61%	19,153	4.90%	12,056	4.94%	19,822	4.93%	22,418	5.89%	30,240	5.03%	245,447
Non government securities																	
Local bank bonds and certificates	7,638	4.78%	1,238	5.38%	2,376	5.21%	-	0.0.0%	1,075	5.01%	-	0.00%	19	6.72%	506	8.00%	12,852
Commercial paper	354	4.83%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	354
Total peso-denominated	146,381	5.30%	1,841	5.14%	5,142	4.89%	19,153	4.90%	13,131	4.95%	19,822	4.93%	22,437	5.89%	30,746	5.08%	258,653
UDI-denominated:																	
Udibonos (federal government development bonds)	2,622	2.28%	–	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	–	0.00%	–	0.00%	2,622
Promissory notes issued for highway program	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	-
CBICs	1,164	4.94%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	1	2.89%	1,165
Local bank bonds and certificates	841	3.80%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	498	2.63%	1,339
Total UDI-denominated	4,627	3.23%	–	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	–	0.00%	499	2.63%	5,126
Foreign currency-denominated:																	
Mexican Government securities issued abroad	-4	0.00%	–	0.00%	–	0.00%	–	0.00%	179	6.38%	198	5.88%	1,586	4.93%	1,388	7.67%	3,347
U.S. Treasury bills	7,340	0.16%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	7,340

Commercial paper................	6,175	0.28 %	–	0.00 %	–	0.00 %	–	0.00%	–	0.00%	–	0.00%	453	2.05%	208	5.88%	6,836
Other fixed-income securities	–	0.00 %	–	0.00 %	–	0.00 %	–	0.00%	–	0.00%	–	0.00%	–	0.00%		0.00%	-
Total Foreign currency-denominated..........	13,511	0.21 %	–	0.00 %	–	0.00 %	–	0.00%	179	6.38%	198	5.88%	2,039	4.29%	1,596	7.43%	17,523
Total securities (excluding equity securities	Ps.164,51[illegible]	4.82 %	Ps. 1,841	5.14 %	Ps. 5,142	4.89 %	Ps. 19,153	4.90%	Ps. 13,310	4.97%	Ps. 20,020	4.94%	Ps. 24,476	5.76%	Ps. 32,841	5.16%	Ps. 281,302

Loan Portfolio

Total loan amounts set forth in this section include the total principal amount of total performing and total non-performing loans outstanding at the date presented, which include rediscounted loans and loans in the UDI Trusts. The terms "total loans" and "total loan portfolio" include total performing loans plus total non-performing loans. The terms "net total loans" and "net total loan portfolio" refer to net total performing loans plus net non-performing loans.

As of December 31, 2010, our loan portfolio amounted to Ps.581,756 million, an increase of 9.8% compared to December 31, 2009. This increase reflected a 12.4% increase in commercial and corporate loans due to greater activity in small and medium sized enterprises, microbusinesses and a 7.7% increase in mortgage loans an increase of 14.4% in credit cards and other consumer loans.

Loans by type and by borrower

The following table analyzes our loan portfolio by loan type. Total loans reflect the sum of the total performing loan portfolio and the total non-performing loan portfolio and include FOBAPROA and IPAB Notes including accrued interest. We had no FOBAPROA or IPAB Notes as of December 31, 2009. For a breakdown of non-performing loans by loan type, see "—Non-Performing Loan Portfolio" below. See note 28 to our audited financial statements included elsewhere in this offering memorandum.

	As of December 31,				
	2006	2007	2008	2009	2010
	(millions of pesos)				
Performing loans:					
Commercial and corporate loans: (1)					
Secured or guaranteed by:					
Real estate(2)	Ps. 16,979	Ps. 21,276	Ps. 25,410	Ps. 24,075	Ps. 22,910
Fixed assets	3,172	3,222	4,755	3,723	3,366
Inventories	2,038	2,195	2,847	2,152	2,020
Other(3)	3,243	1,836	1,907	1,493	1,823
Subtotal	25,432	28,529	34,919	31,443	30,119
Unsecured:					
Term loans	17,950	26,876	31,773	21,490	18,884
Revolving credits	119,438	144,805	163,186	203,941	236,950
Original issue discounts	3,349	4,379	8,350	10,256	14,188
Subtotal	140,737	176,060	203,309	235,687	270,022
Total commercial and corporate loans	166,169	204,589	238,228	267,130	300,141
Consumer loans:					
Residential mortgage	96,999	117,310	126,726	134,737	145,116
Credit card	71,663	86,386	85,383	64,430	70,420
Other consumer credits	39,428	45,036	45,174	38,808	47,658
Total consumer loans	208,090	248,732	257,283	237,975	263,194
Leasing	4,964	5,170	4,901	5,378	4,389
Total performing loans	379,223	458,491	500,412	510,483	567,724
Total non-performing loans	8,055	10,195	15,720	19,242	14,032
Total Loans	Ps. 387,278	Ps. 468,686	Ps. 516,132	Ps. 529,725	Ps. 581,756

(1) Includes loans to government entities and financial entities.

(2) Includes loans secured in whole or in part by cash, securities or property (including plant, inventory and equipment) and loans guaranteed by third parties.

(3) Includes various types of loans secured in whole or in part by cash, securities or other property (including plant, equipment otherwise not included above) and loans guaranteed by third parties.

Loans by currency

Foreign currency-denominated loans totaled Ps.68,221 million as of December 31, 2010, measured in constant pesos as of such date. Foreign currency-denominated loans increase as a percentage of the total loan portfolio from 7.8% as of December 31, 2009 to 11.7% as of December 31, 2010. Foreign currency-denominated loans totaled Ps.68,221 million as of December 31, 2010, an increase of 64.43% from Ps.41,489 as of December 31, 2009.

The following table presents the peso- and foreign currency-denominated loan portfolio at the dates indicated. Foreign currency-denominated loans that were not denominated in U.S. dollars were converted into U.S. dollars and then expressed in pesos in accordance with the methodology described in the introduction to the table under "—Average Balance Sheet and Interest Rate Data" above.

	As of December 31,									
	2006		2007		2008		2009		2010	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of Ps., except percentages)									
Peso-denominated loans ..	Ps. 359,129	92.73%	Ps. 418,051	89,20%	Ps. 466,275	90.34%	Ps. 488,236	92.17%	Ps. 513,535	88.27%
Foreign currency-denominated loans	28,149	7.27%	50,635	10,80%	49,857	9.66%	41,489	7.83%	68,221	11.73%
Total loans	387,278	100.00%	468,686	100.00%	516,132	100.00%	529,725	100.00%	581,756	100.00%

(1) The loan amounts set out in the above table do not include accrued interest.

Loans to the public and private sectors

As of December 31, 2010, our loans to the public sector totaled Ps.85,688 million, accounting for 14.7% of our total loan portfolio. As of December 31, 2009, our loans to the public sector amounted to Ps.59,142 million, accounting for 11.2% of our total loan portfolio.

Loans to individuals are comprised of loans to sole business owners, residential mortgage loans, credit card loans and other consumer loans. As of December 31, 2010, loans to individuals totaled Ps.272,052 million, representing 46.8% of our total loan portfolio and a 7.7% increase from our total of 2009. The increase in loans to individuals in 2010 over 2009 was primarily the result of greater loan origination. In 2010, we issued 2.6 million credit cards compared to 2.1 million in 2009. However, mortgage loans increased 7.7% compared to 2009.

The following table sets forth an analysis of the composition of our total loan portfolio at the dates indicated with respect to loans to both the public and private sectors.

	As of December 31,									
	2006		2007		2008		2009		2010	
	Loan Portfolio	**%**	**Loan Portfolio**	**%**	**Loan Portfolio**	**%**	**Loan Portfolio**	**%**	**Loan Portfolio**	**%**
	(millions of pesos, except percentages)									
Public sector(1)	Ps. 40,793	10.53%	Ps. 53,491	11.41%	Ps. 48,313	9.36%	Ps. 59,142	11.16%	Ps. 85,688	14.73%
Private sector:										
Businesses	130,787	33.77%	156,373	33.36%	192,691	37.33%	216,538	40.88%	221,425	38.06%
Individuals(2)	214,615	55.42%	258,338	55.12%	271,659	52.63%	252,581	47.68%	272,052	46.76%
Other private sector(3)	1,083	0.28%	484	0.11%	3,469	0.68%	1,464	0.28%	2,591	0.45%
Total private sector loans	346,485	89.47%	415,195	88.59%	467,819	90.64%	470,583	88.84%	496.068	85.27%
Total loans	387,278	100.00%	468,686	100.00%	516,132	100.00%	529,725	100.00%	581,756	100.00%

(1) Includes loans supported by the full faith and credit of the federal government of Mexico.

(2) Includes loans to individuals for business activities as well as mortgage, credit card and other consumer loans and credit exposures connected to leasing.

(3) Includes loans to foreign banks, foreign companies, non-profit entities and certain other entities.

Performing commercial loans

As of December 31, 2010, performing commercial and corporate loans totaled Ps.300,141 million, reflecting an increase of 12.4% from December 31, 2009. The increase was attributable primarily to a 16.2% increase in unsecured revolving lines of credit.

As of December 31, 2010, the aggregate outstanding principal amount of our 15 largest loans represented 14.2% of total loans. Of these loans, six were classified as "A1," five were classified as "A2", three were classified as "B1" and one was classified as "loan exempt" (loans made to the Mexican Federal Government or guaranteed by the Mexican Federal Government) under the CNBV's regulatory loan classification guidelines. Only one of the top 15 loans was with related parties. We believe that all of those loans are on terms and conditions comparable to other loans of similar credit quality.

As of December 31, 2010, approximately 89.9% of our performing commercial loan portfolio was unsecured. Unsecured commercial loans, consisting primarily of short-term working capital loans (with terms of 30 to 90 days), are common in Mexico. The credit analysis process and administration of these loans are the same as for secured loans. If we establish an unsecured line of credit, it is because we believe the borrower is a creditworthy customer, and the fact that it is an unsecured line is taken into consideration during the approval process. The additional risk from originating unsecured commercial loans is generally accounted for through larger spreads to cover possible losses. The fact that a loan is unsecured is among several factors considered when we grade the portfolio and, depending on the results of this grading, an appropriate allowance for loan losses is created.

Performing consumer and mortgage loans

As of December 31, 2010, performing consumer and mortgage loans totaled Ps.263,194 million, an increase of 10.6% from December 31, 2009. As of December 31, 2009, performing consumer and mortgage loans totaled Ps.237,975 million, a decrease of 7.5% from December 31, 2008. The preferred lending products for this market segment have been residential first mortgage financing and credit card loans.

Our performing mortgage loan portfolio totaled Ps.145,116 million as of December 31, 2010, an increase of 7.7% from December 31, 2009. Our performing mortgage loan portfolio totaled Ps.134,737 million as of December 31, 2009, an increase of 6.3% from December 31, 2008. The increase in our performing mortgage loan portfolio in

2009 compared to 2008 was primarily attributable to the transfer of a substantial portion of Hipotecaria Nacional's mortgage portfolio to us.

As of December 31, 2010, our performing credit card portfolio totaled Ps.70,420 million, an increase of 9.3% from December 31, 2009. As of December 31, 2009, our performing credit card portfolio totaled Ps. 64,430 million, a decrease of 24.5% from December 31, 2008. The increases in our performing credit card portfolio for each of these years is attributable to increased credit card issuances. We, like other Mexican banks, reflect, in our interest rates for credit cards, the greater risk associated with such loans. Other types of loans are generally less risky because borrowers are not able to increase their borrowings without prior approval and must generally provide some kind of collateral.

We provide a variety of mortgage products to individuals and housing developers in Mexico, and to a lesser extent, to developers of commercial real estate. Since 2006, we have originated all mortgage loans through specialized personnel of Hipotecaria Nacional assigned to our Mortgage Banking unit. Substantially all mortgage loans that we originate are recorded on our books, excluding certain mortgage loans granted under government programs for low-income housing.

Loans by economic activity

During the last few years, we have focused our lending activities towards those sectors of the economy that we believe, within the context of our overall risk management policies, have the greatest potential for growth. In addition, we have attempted to reduce their risk by diversifying our loans among a greater number of customers and within a larger geographic area in Mexico.

As of December 31, 2010 our mortgage loans totaled Ps.150,227 million, our credit card loans totaled Ps.74,022 million and our commercial loans totaled Ps.40,366 million. In 2010, our mortgage unit granted approximately 34,246 mortgages directly to individuals and approximately 93,161 mortgages through housing developers, a decrease of 4.9% to individuals and an increase of 27.2% to developers.

During 2010, our loans to the commercial sector decreased 10.7%. Our credit card loans increased 3.9% reflecting an increase in new credit card issuances. Our loans to major economic sectors (social and community services and manufacturing) decreased 8.4%. Loans to the services sector increased 7.3% reflecting growth in the services sector. The following table sets forth an analysis of our loan portfolio's composition at the dates indicated according to the borrower's principal economic activity.

	As of December 31,									
	2006		2007		2008		2009		2010	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of constant Ps., except percentages)						(millions of Ps.)			
Economic Activity:										
Residential mortgages	Ps. 99,412	25.67%	Ps. 120,508	25.71%	Ps. 130,814	25.35%	Ps. 141,245	26.66%	Ps. 150,227	25.82%
Social and community services(1)	41,365	10.68	47,930	10.23	58,543	11.34	74,100	13.99	60,771	10.45
Manufacturing	18,831	4.86	14,320	3.06	24,831	4.81	21,117	3.99	26,496	4.55
Construction and real estate development	32,222	8.32	44,900	9.58	58,721	11.38	57,580	10.87	58,838	10.11
Commercial(2)	22,781	5.88	29,053	6.20	38,070	7.38	45,209	8.53	40,366	6.94
Credit card	75,869	19.59	91,746	19.58	93,532	18.12	71,242	13.45	74,022	12.72
Services(3)	29,855	7.71	18,009	3.84	20,429	3.96	24,513	4.63	26,297	4.52
Energy and utilities	17,397	4.49	33,878	7.23	24,435	4.73	27,652	5.22	36,232	6.23
Other	49,546	12.80	68,342	14.57	66,757	12.93	67,067	12.66	108,507	18.66
Total loans	Ps. 387,278	100.00 %	Ps. 468,686	100.00%	Ps. 516,132	100.00%	Ps. 529,725	100.00%	Ps. 581,756	100.00%

(1) Includes loans to the public sector.

(2) Includes loans for commercial activities not directly related to manufacturing as well as loans related to tourism.

(3) Includes credit extended to financial institutions.

Our loan portfolio is characterized by seasonal variations in loan demand and in outstanding loans. For example, heavy demand for agricultural financing drives increases in outstanding loans in March through May of each year. Also, the Mexican economy has historically seen large increases in economic activity during the second half of the year, resulting in significant demand for working capital and inventory financing during the period from September through November and for consumer loans during November and December.

Maturity composition of the commercial and leasing loan portfolio

The following table sets forth an analysis with reference to the time remaining to maturity of our performing commercial and leasing loan portfolio as of December 31, 2006, 2007, 2008, 2009 and 2010.

	As of December 31,									
	2006		2007		2008		2009		2010	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of Ps., except percentages)									
Due within 1 year	Ps. 73,945	43.21%	Ps. 91,711	43.72%	Ps. 105,275	43.30%	Ps. 101,356	37.19%	Ps. 105,862	34.76%
Between 1 and 5 year	41,289	24.13	63,578	30.31	70,449	28.98	87,974	32.28	104,774	34.41
Over 5 years	55,899	32.66	54,470	25.97	67,405	27.72	83,178	30.53	93,894	30.83
Total	Ps. 171,133	100.00%	Ps. 209,759	100.00%	Ps. 243,129	100.00%	Ps. 272,508	100.00%	Ps. 304,530	100.00%

At December 31, 2010, the total of our performing commercial and leasing loan portfolio was Ps.304,530 million. Of these loans, 34.8% were to mature within a year and were generally intended to cover the borrower's working capital requirements, the purchase of inventory or the financing of foreign commercial transactions.

Loans maturing after more than a year were generally intended for the renovation of manufacturing plants and purchase of equipment, as well as the construction of factories.

Interest rate sensitivity of outstanding loans

The majority of our peso-denominated loans have rates that are reset not less frequently than every 28 days. All rates are determined either by reference to a marginal variable rate or the higher of several reference rates. We began using the TIIE as a reference rate following its establishment in 1995.

	As of December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
		(millions of Ps.)			**(millions of Ps.)**
Fixed-rate	Ps. 61,133	Ps. 99,927	Ps. 107,990	Ps. 100,890	Ps. 103,572
Variable rate(1)	110,635	110,591	137,252	175,908	204,934
Total	171,768	210,518	245,242	276,798	308,506
Total non-performing commercial loans	635	759	2,113	4,290	3,976
Allowances for loan losses	(2,482)	(2,746)	(3,529)	(4,882)	(5,635)

(1) Includes loans that mature or reprice in 30 days or less, which we consider to be effectively variable rate loans.

Non-Performing Loan Portfolio

In assessing the performance of our loan portfolio, we review both the outstanding amount of our non-performing loan portfolio as well as the Loan Classification and Rating Rules.

The outstanding balance of past-due loans is recorded as non-performing as follows:

- Loans with a single payment of principal and interest at maturity are considered past due 30 calendar days after the date of maturity.
- Loans with a single payment of principal at maturity and with scheduled interest payments are considered past due 30 calendar days after principal becomes past due and 90 calendar days after interest becomes past due.
- The loans whose payment of principal and interest had been agreed to in scheduled payments are considered past due 90 days after the first installment is due.
- In the case of revolving credit granted, loans are considered past due when payment has not been received for two normal billing periods.
- Customer bank accounts showing overdrafts are reported as non-performing loans at the time the overdraft occurs.

Interest is recognized in income when it is accrued. However, the accrual of interest is suspended when loans become non-performing.

Commissions for granting loans are recognized as income when collected.

Restructured non-performing loans are not considered as performing until the collection of three consecutive monthly payments without delay, or the collection of one installment when the amortization covers periods in excess of 60 days.

Renewed loans where the debtor does not pay accrued interest on time, or does not pay at least 25% of the original loan amount, are considered non-performing until proof of timely payment.

Interest accrued during the period in which the loan was considered non-performing is recognized as income at the time collected.

Accrued interest recorded as non-performing interest and included in income becomes part of our total classifiable credit portfolio and is subject to the loan loss reserve requirements of the credit portfolio grading system described under "—Grading of Loan Portfolio" below. The amount of the loan loss allowance for possible credit risks is based upon the grade assigned to the underlying loan.

The non-performing loan portfolio may include credits that our management views as involving different levels of risk and that are accordingly graded for regulatory purposes in any of categories "A" to "E." See "—Grading of Loan Portfolio."

As of December 31, 2010, total non-performing loans were Ps.14,423 million, or 2.5% of total loans. Of this amount, Ps.391 million, or 2.7% of total non-performing amounts, represented past-due accrued interest. Total non-performing loans decreased by Ps.5,415 million, or 27.3%, in 2010, as non-performing consumer credit card loans decreased by 47.1% or Ps.3,210 million, principally due to an improvement in the Mexican macroeconomic conditions.

As of December 31, 2009, total non-performing loans were Ps.19,838 million, or 3.7% of total loans. Of this amount, Ps.596 million, or 3.0% of total non-performing loans, represented non-performing accrued interest. Total non-performing loans increased by Ps.3,418 million or 20.8% during 2009.

As of December 31, 2008, total non-performing loans were Ps.16,420 million, or 3.2% of total loans. Of this amount, Ps.700 million, or 4.3% of total non-performing loans, represented non-performing interest. Total non-performing loans increased by Ps.5,740 million or 53.7% during 2008.

The following table sets forth an analysis of non-performing loans (including past-due interest) by type of loan at the dates indicated.

	As of December 31,				
	2006	2007	2008	2009	2010
	(millions of constant Ps. as of December 31, 2007)			(millions of Ps.)	
Non-performing loans:					
Commercial and corporate loans:					
Unsecured	Ps. 199	Ps. 631	Ps. 1,924	Ps. 4,000	Ps. 3,442
Secured	426	122	140	226	507
Consumer loans:					
Residential mortgage	2,413	3,198	4,088	6,508	5,111
Credit card	4,206	5,360	8,149	6,812	3,602
Other consumer credits	801	878	1,370	1,632	1,343
Leasing receivables	10	6	49	64	27
Past-due interest	406	485	700	596	391
Total non-performing loans	8,461	10,680	16,420	19,838	14,423
Allowance for loans losses	(16,457)	(16,774)	(25,560)	(26,991)	(25,128)
Total non-performing portfolio net of allowance for loan losses	Ps. (7,996)	Ps. (6,094)	Ps. (9,140)	Ps. (7,153)	Ps. (10,705)

Grading of Loan Portfolio

Commercial loans

In accordance with the Loan Classification and Rating Rules, for the classification of their loan portfolio, Mexican banks must individually classify their commercial loan portfolio for loans or group of loans made to the same borrower if the balance of any individual loan or loans equals or exceeds 4,000,000 UDIs at the classification date for 2009 and 2010. The remainder of the commercial loan portfolio is classified parametrically based on the number of months elapsed as of the first default if any. Any portion of the portfolio representing debt owed by the federal government of Mexico, or that is covered by an express guarantee by the federal government of Mexico, is exempt from these requirements.

We classify the risk level of loans granted to states, municipalities and state-owned enterprises, based on the ratings assigned to such loans by the international rating agencies such as Fitch, Moody's and Standard and Poor's Rating Services ("S&P") within the previous 24 months. Loans to municipalities that have an express guarantee from their state governments may be classified with the degree of risk applicable to the state providing the guarantee. The Loan Classification and Rating Rules also require the evaluation of a security interest on property in accordance with the same methodology applied to secured loans.

On December 1, 2004, the CNBV authorized us to apply our own methodology to the classification of risks and the creation of loan loss allowances for specific segments of our commercial loan portfolio for a period of two years from that date. In December 2006 and 2008 the CNBV reapproved us to apply our own methodology until December 2010. The regulations require us to report our loan classifications to the CNBV every quarter and to disclose our loan classification in our financial statements.

We use this internal classification methodology, which we refer to as the Bancomer Risk Classification (*Calificación de Riesgo Bancomer*), or CRB, to evaluate a borrower's creditworthiness based on the weighted average of grades assigned using five criteria. These criteria include payment history, existing debt ratios, projected payment ability and other conditions affecting the Mexican economy. This analysis takes into account the borrower's financial profile, our financial position and the general economic situation of the banking industry at the time. We then analyze the results against various quantitative and qualitative credit risk factors, weighted by a single algorithmic formula and compared to certain fixed parameters.

The CRB classifies outstanding loans according to loans with acceptable risk levels, loans under observation and loans with unacceptable risk levels or that are in default. The following table shows the risk levels used in the CRB model:

Risk Level

1. Exceptional
2. High
3. Good
4. Adequate
5. Potential weakness
6. Existing weakness
7. Critical weakness
8. Loss

The following table presents a comparison of the CRB risk levels and the standard levels used by the CNBV, based upon an analysis of the respective default probabilities between the two methodologies:

CNBV Risk Level	CRB Risk Levels Equivalents
1,2	A1
3	A2
4(1)	B1
4(2)	B2
5(1)	B3
5(2)	C1
6(1)	C1
6(2)	C2
7	D
8	E

(1) Non-payment for less than 30 days.

(2) Non-payment for 30 days or more.

Once we determine a borrower's credit rating according to this procedure, we initially classify each loan based on the borrower's credit rating. We then consider the value of any applicable collateral to determine the portion of the loan balance that is covered by the discounted value of collateral securing the loan and the portion of the loan balance that is exposed. The rating we assign to the covered portion of the loan can be modified based on changes in the value of the collateral. In applying the regulations, the rating for the exposed portion of a loan remained unchanged for loans rated between A1 and C1. However, we were required to assign a risk level rating of E to the exposed portion of a loan that was initially rated C2, D or E. In addition, the regulations established various criteria for the determination of the cash value of collateral.

We classify each loan in our commercial loan portfolio based on the following default probability percentages:

Probability of Default			**Risk Level**
0.00%	to	0.50%	A1
0.51%	to	0.99%	A2
1.00%	to	4.99%	B1
5.00%	to	9.99%	B2
10.00%	to	19.99%	B3
20.00%	to	39.99%	C1
40.00%	to	59.99%	C2
60.00%	to	89.99%	D
90.00%	to	100.00%	E

We record loan loss allowances for individual loans on a monthly basis, and apply the results of the classification quarterly to the balance of the loan recorded on the final day of each month.

Mortgage loans

We determine loan loss allowances for our mortgage portfolio by applying specific percentages to a borrower's unpaid balances, net of supports. Our mortgage loan portfolio is classified into levels based on the number of monthly installments that a loan is in default as of the classification date.

We determine the allowance for loan losses at each level by applying specific percentages based on the following criteria:

- *Probability of default*: allowance percentages range from 1% to 90% for loans in default for up to four months, depending on the type of mortgage portfolio, and from 95% to 100% for loans in default for five months or more.

- *Severity of loss*: an allowance percentage of 35% is applied for loans in default for up to six months, 70% for loans in default for seven to 47 months, and 100% for loans in default 48 months or more.

In addition to the allowance requirements under the Loan Classification and Rating Rules for mortgage loans, we contribute a supplementary allowance that reflects the application of our internal model for classification of mortgage loans, which consists of applying specific percentages (expected loss) to a debtor's unpaid balance. See note 12 to our audited financial statements included elsewhere in this offering memorandum.

Consumer loans (excluding credit card loans)

In August 2009, the CNBV issued a resolution modifying the methodology applicable for the classification of consumer loan portfolios to reflect expected losses. This new methodology separates the credit card loans from other consumer loans.

We determine the allowance for loan losses for our consumer loan portfolio (excluding credit card loans) by applying specific percentages to the number of billing periods with payments in default as of the classification date. These billing periods may be weekly, bi-weekly or monthly. We determine our loan loss allowances for our consumer and mortgage loan portfolio based on the following percentages in accordance with the Loan Classification and Rating Rules:

Risk Level	Percentage of Allowance for Loan Losses
A	0 to 00.99%
B	1 to 19.99%
C	20 to 59.99%
D	60 to 89.99%
E	90 to 100.00%

Ordinary interest accrued but not collected on non-performing loans is considered non-performing. Accordingly, we record a loan loss allowance equivalent to the amount of any such interest.

Credit card loans

On August 12, 2009, the Commission issued a ruling to amend the General Regulations Applicable to Credit Institutions, which modifies the methodology used to clasiffy the consumer loan portfolio to reflect the expected losses. The CNBV approved our internal model for classification of credit card loans, which became effective as of August 31, 2009. In January 2011, the CNBV approved certain modifications to the classification of our credit card loan portfolio.

Our internal model for classification of credit card loans establishes the allowance for loan losses at each risk level by applying specific percentages based on the following criteria:

- *Probability of default*: Based on variables such the type of portfolio, account aging, and the situation of the loan at the time of default.

- *Severity of loss*: Based on variables such as the type of portfolio, balance, aging, and default period.

- *Exposure*: Based on the credit limit and the actual balance.

We determine our loan loss allowances for our credit card loan portfolio based on the following percentages:

Risk Level	Percentage of Allowance for Loan Losses
A	0 to 00.99%
B-1	1 to 2.50%
B-2	2.51 to 19.99%
C	20 to 59.99%
D	60 to 89.99%
E	90 to 100.00%

Analysis of graded loans

The following table analyzes the grading of our loan portfolio as of the dates indicated. In accordance with the CNBV's rules, graded loans reported at the end of a quarter (or the reported quarter) are based on loans outstanding at the end of the preceding quarter after giving effect to charge-offs made during the reported quarter. Information in this table excludes loans to the federal government of Mexico and to Banco de México, but includes accrued interest, past-due interest and off-balance sheet commitments (such as guarantees and letters of credit).

	As December 31,									
	2006		2007		2008		2009		2010	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(millions of constant Ps. as of December 31, 2007, except percentages)						(millions of Ps.)			
Total graded loans:										
A	Ps. 314,687	81.95%	Ps. 398,870	86.02%	Ps. 370,647	70.72%	Ps. 380,177	72.49%	Ps. 429,572	73.97%
B	51,640	13.45%	47,759	10.30%	131,322	25.06%	115,183	21.96%	128,703	22.16%
C	10,276	2.68%	8,650	1.87%	12,480	2.38%	15,983	3.05%	12,925	2.23%
D	4,521	1.18%	5,843	1.26%	7,249	1.38%	10,970	2.09%	8,079	1.39%
E	2,852	0.74%	2,555	0.55%	2,432	0.46%	2,117	0.40%	1,488	0.25%
Total	Ps. 383,976	100.00%	Ps. 463,677	100.00%	Ps. 524,130	100.00%	Ps. 524,430	100.00%	Ps. 580,767	100.00%
Allowances grading of our loan	14,607		15,277		20,311		23,530		20,395	
Past-due interest	406		486		700		507		339	
Excess over minimum regulatory requirements	1,426		990		4,518		2,903		4,329	
BBVA Bancomer allowance	16,439		16,753		25,529		26,940		25,063	
Mercury Bank allowance	–		–		4		–		–	
Securitization Trust 881 allowances	–		–		–		43		59	
Bancomer Financial Holding allowance	18		21		27		8		6	
Total allowance for loan losses	16,457		16,774		25,560		26,991		25,128	
Allowance as percentage of:										
Graded loans		4.29%		3.62%		4.88%		5.15%		4.33%
Total loans plus interest (1)		4.27%		3.63%		4.93%		5.15%		4.33%
Total non-performing amount		194.50%		157.06%		155.66%		136.06%		174.22%
Total non-performing as a percentage of total loans plus interest (1)		2.19%		2.31%		3.17%		3.78%		2.49%
Total non-performing loans (non-performing amounts less allowances) as a percentage of total loans plus interest (1)		(2.16)%		(1.37)%		(1.86)%		(1.44)%		(1.93)%

(1) Interest includes past-due and outstanding interest.

As of December 31, 2010, the aggregate outstanding principal amount of our 25 largest loans (including loan exposures to a single corporate group or to an agency of the federal government of Mexico) represented 17.5% of our total loans. The largest single loan exposure as of December 31, 2010 accounted for 48.2% of our stated capital. As of December 31, 2010, of the 25 largest loans, thirteen loans were rated "A1," seven loans were rated "A2," four loans were rated "B1" and one is considered as "loans exempt." As of December 31, 2010, of the 10 largest loans, representing 11.8% of our total loans, three were rated "A1," three were rated "A2", three were rated "B1" and one was rated as "loan exempt" as described under "Selected Statistical Information—Loan Portfolio—Loans to the public and private sectors—Performing commercial loans."

Allowance for Loan Losses

General

We provide for possible loan losses in accordance with the regulations of the CNBV and are in compliance with regulatory loan loss allowance requirements. The grading of loans determines the amount of the allowance for loan losses required to be set aside: between 0% and 0.99% for Grade "A" loans, between 1% and 19.99% for Grade "B" loans, between 20% and 59.99% for Grade "C" loans, between 60% and 89.99% for Grade "D" loans and between 90% and 100% for Grade "E" loans. Loans to the federal government of Mexico and Banco de México are not subject to the grading system and are effectively deemed to be Grade "A" loans for loan loss allowance purposes. The amount so reserved is carried in a separate account on our balance sheet and all charge-offs of uncollectible loans are made against this reserve. Mexican banks are required to obtain authorization from their boards of directors in order to charge off loans. In addition, Mexican banks are required to inform the CNBV after such charge-offs have been recorded. For a discussion of our charge-off policy, see "Annex A— Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

As of December 31, 2010, we recorded provisions charged against earnings totaling Ps.19,626 million. Our allowance for loan losses amounted to 174.22% of total non-performing loans as of December 31, 2010, compared to 136.06% as of December 31, 2009 and 155.66% as of December 31, 2008. We believe that our current loan loss allowance is adequate for all known or knowable losses on our assets.

Analysis of allowance for loan losses

The following table analyzes our loan loss allowances and movements in loan charge-offs and recoveries for the periods indicated, as well as changes to income and period-end allowances for loan losses.

	For the years ended December 31,				
	2006	2007	2008	2009	2010
	(millions of constant Ps. as of December 31, 2007)			(millions of Ps.)	
Balance at beginning of period	Ps. 13,817	Ps. 16,457	Ps. 16,774	Ps. 25,560	Ps. 26,991
Increase:					
Provision charged against earnings	7,152	12,622	23,994	27,255	19,626
Recoveries(1)	276	–	–	–	–
Provisions charged against equity	–	–	1,699	1,323	–
Exchange rate revaluation	–	–	155	–	–
Inflation revaluation of the UDI program(2)	633	642	947	614	239
Subtotal	8,061	13,264	26,795	29,192	19,865
Decrease:					
Exchange rate revaluation	22	83	–	100	122
Punto Final program for mortgage loans(2)	1,021	908	825	737	709
Punto Final program for commercial loans(2)	3	3	1	–	–
Other charge-off	3,657	11,315	17,183	26,896	20,897
Amount of loans sold	–	–	–	28	–
Amount of allowances attributable to FOBAPROA loss sharing	110	–	–	–	–
Monetary loss	608	638	–	–	–
Subtotal	5,421	12,947	18,009	27,761	21,728
Balance at the end of period	Ps. 16,457	Ps. 16,774	Ps. 25,560	Ps. 26,991	Ps. 25,128

(1) We may continue our recovery efforts with respect to certain non-performing loans after the date on which such loans are formally written off. We do not generally maintain a threshold time limit in respect of non-performing loans, following the expiration of which such loans are automatically charged off.

(2) See "—Debtor Support Programs."

Allocation of allowance for loan losses by category

	As of December 31,									
	2006		2007		2008		2009		2010	
	Allowance	%	Allowance	%	Allowance	%	Allowance	%	Allowance	%
	(millions of constant Ps. as of December 31, 2007, except percentages)						(millions of Ps.)			
Commercial, financial and agricultural	Ps. 2,461	14.95%	Ps. 2,718	16.20%	Ps. 3,504	13.71%	Ps. 4,845	17.95%	Ps. 5,622	22.37%
Residential mortgages	7,407	45.01	6,936	41.35	6,935	27.13	8,557	31.70	7,137	28.40
Credit card	3,568	21.68	4,419	26.34	8,201	32.09	8,459	31.34	6,200	24.67
Other consumer loans	1,168	7.10	1,197	7.14	1,677	6.56	1,683	6.24	1,488	5.92
Leases	21	0.13	28	0.17	25	0.10	37	0.14	13	0.05
Excess over minimum regulatory requirements	1,426	8.67	990	5.90	4,518	17.68	2,903	10.76	4,329	17.23
Past-due interest	406	2.47	486	2.90	700	2.74	507	1.88	339	1.35
Total	Ps. 16,457	100.00%	Ps. 16,774	100.00%	Ps. 25,560	100.00%	Ps. 26,991	100.00%	Ps. 25,128	100.00%

Rules for the UDI Trusts require a minimum level of loan loss allowance based upon the CNBV's loan classification rules in the case of commercial loans and in the case of mortgage loans the greater of (1) the minimum required by the loan classification rules and (2) 8% of such loans. This loan loss allowance forms part of the loan loss allowance shown in the financial statements included elsewhere in this offering memorandum.

Foreclosed real estate and other assets

As of December 31, 2010, the book value of our foreclosed real estate and non-real estate assets, net of allowance, totaled Ps.2,940 million and Ps.2 millions, a 33.8% and 100% increase, respectively, compared to 2009. As of December 31, 2009, the book value of our foreclosed real estate and non-real estate assets, net of allowance, totaled Ps.2,198 million and Ps.1 million, respectively.

The decrease in foreclosed real estate and other assets was due mainly to sales of foreclosed properties, as well as the increase in allowances derived from the implementation of a new methodology established by the CNBV in December 2005. This methodology requires the allowance for holding repossessed assets to be determined based on scheduled percentages. See note 3 to our audited financial statements included elsewhere in this offering memorandum.

Under CNBV regulations, Mexican banks that are awarded title to foreclosed property in a judicial auction are required to account for such property at the amount set in the auction. Real estate assets received by the bank in a negotiated settlement with the borrower must be recorded at the lower of the appraised value of the property and the amount of the loan recorded in such settlement. In addition, although time limits to sell foreclosed real estate assets or real estate assets received by the bank in negotiated settlements have not been eliminated from the regulations, as a general practice such time limits have been waived by the CNBV in order to allow banks to sell such assets depending on market conditions and liquidity requirements.

We operate a specialized unit that administers foreclosed real estate and manages all activities related to the administration, marketing and sale of properties.

The following table sets forth, by type of property, the book value of foreclosed real estate and non-real estate assets at December 31, 2010, 2009 and 2008.

	As of December 31,		
	2008	2009	2010
	(millions of pesos)		
Real estate:			
Rural land	Ps. 57	Ps. 53	Ps. 48
Urban land	163	281	638
Family houses	1,407	1,958	2,246
Condominiums	199	276	281
Industrial plants	71	64	40
Commercial building	24	24	45
Other	24	64	141
Subtotal real estate	1,945	2,720	3,439
Allowance for real estate	(432)	(522)	(499)
Total real estate, net	1,513	2,198	2,940
Non-real estate	18	18	18
Allowance for non-real estate	(18)	(17)	(16)
Total non-real estate	–	1	2
Property type	1,963	2,738	3,457
Allowance	(450)	(539)	(515)
Total	Ps. 1,513	Ps. 2,199	Ps. 2,942

Restructuring of credits

The deteriorating economic situation in Mexico subsequent to the December 1994 devaluation and the increase in the portfolio of non-performing loans led Mexican banks to implement restructuring programs in most of their business divisions. In addition, the Mexican government adopted a number of debtor relief programs to facilitate this process.

Restructured loans remain classified as non-performing until at least three payments have been made. Restructured loans under Mexican government support programs were considered performing loans.

When we restructure credits, we reclassify current accrued interest, past-due principal and past-due interest as current principal. If the restructuring results in a sufficient improvement in the quality of a credit, we may also maintain a smaller allowance for loan loss with respect to such credit and use the excess allowance to reduce the amount of additional provisions on other credits.

Debtor support programs

The devaluation of the peso in late 1994 and the subsequent economic crisis in Mexico have led to the introduction by the Mexican government of debtor support programs that have had significant effects on us. Substantially all of the outstanding debtor support programs were merged at the beginning of 1999 into a single industry-wide program known as Punto Final, which was adopted by the Mexican government and the Mexican Banking Association in December 1998 and became effective on January 1, 1999. The following is a description of the principal debtor support programs:

UDI program

On March 30, 1995, the Mexican government implemented the UDI program, designed to encourage the restructuring and conversion of non-performing peso-denominated loans of borrowers facing cash flow constraints to UDI-denominated loans. UDIs are a unit of account created by the Mexican government that expresses in pesos, at any given time, the principal amount of financial transactions as adjusted for inflation. Unlike a loan denominated in pesos, the interest rate, which is a real rate, on UDI-denominated loans is generally a fixed percentage of the principal amount denominated in UDIs. In UDI terms, there is no negative amortization of a UDI-denominated loan. UDIs are indexed to inflation in peso terms based on the NCPI and, therefore, the principal amount in peso terms will increase with inflation. UDIs are, among other things, designed to mitigate the short-term effects of inflation on borrowers and improve the asset quality of banks, although banks retain the asset quality risk associated with restructured loans. The UDI program covered four types of loans: commercial loans, mortgage loans, loans to states and municipalities and four categories of loans provided by development banks.

Pursuant to the UDI program, the principal balance and accrued interest on a borrower's peso-denominated loan was restructured and converted to a UDI principal balance, at the peso-UDI exchange rate on the date of the conversion. Banks then transferred these loans, together with a reserve ranging from 0% to 15% of the principal amount of such loans, to a trust controlled by the bank and funded with long-term UDI-denominated deposits purchased by the Mexican government through Banco de México. The transferring bank was required to purchase from the Mexican government bonds, known as "Special Cetes," which are issued by the Mexican government and currently have an interest rate based on the 28-day Cetes rate and maturities and principal amounts that mirror the maturities and principal amount of the UDI loans in the trust. The Special Cetes pay interest in cash as the loans in the trust mature. The transferring bank continues to service the transferred loans and remains at risk for any credit losses.

Because the principal balance of a UDI-denominated loan in peso terms will increase in line with inflation, there may be an increased risk of default in future years if inflation should significantly exceed growth in income or operating margin levels in nominal terms. In addition, in the case of secured loans, the loan to value ratios may deteriorate.

As of December 31, 2009, trust denominated in UDIS had been liquidated and their balances included in the institutions' accounting records for an amount of Ps. 15,635million.

As of December 31, 2008, we had approximately Ps.17,117 million aggregate amount of principal and interest of UDI-restructured loans, representing approximately 3.3% of our total loans as of that date.

As of December 31, 2007, we had approximately Ps.19,625 million aggregate amount of principal and interest of UDI-restructured loans, representing approximately 4.2% of our total loans as of that date (excluding FOBAPROA or IPAB Notes).

In conformity with Mexican Banking GAAP, the UDI Trusts are consolidated for the purpose of presenting our financial information.

Punto Final program

All of the outstanding debtor support programs, except for the restructuring of loans to states and municipalities, were merged at the beginning of 1999 into the Punto Final program. The Punto Final program offers significant discounts to borrowers who are current in the payment of their loans or become current and elect to participate in the program. The Punto Final program was principally designed to offer debt relief to mortgage, agricultural and small and medium-sized commercial borrowers.

Mortgage borrowers

The benefits of the Punto Final program were offered to mortgage borrowers whose loans in pesos and UDIs were granted before April 30, 1996. This program offered borrowers a 50% discount on all payments on such loans, including principal, for the first 165,000 UDIs of a loan's outstanding balance, and a 45% discount for the remaining balance up to 500,000 UDIs. The discounts offered by this program may be accumulated with discounts offered by previously established debtor relief programs. A borrower failing to meet its payment obligations under this program would lose its rights to any discounts, including discounts offered by previously established debtor support programs. Discounts offered by the Punto Final program were not initially offered to borrowers under the low-income housing programs financed by the Mexican government. For a further discussion of the low-income housing programs, see "—Loan Portfolio." Almost all of our mortgage loans are residential mortgage loans.

The cost of the discounts offered by the Punto Final program for mortgage loans is shared with the Mexican government, which bears approximately two-thirds of the cost. We have recognized this cost as part of our allowance for loan losses. See note 4 to our audited financial statements included elsewhere in this offering memorandum.

At December 31, 2009, the principal amount of our mortgage loans subject to this program totaled Ps.14,766 million, representing 2.8% of total loans at that date.

Agricultural borrowers

The benefits of the Punto Final program to agricultural borrowers were offered only to those borrowers with loans granted before June 30, 1996. This program offers borrowers a discount on all payments on such loans, including principal, ranging from a 60% discount on loans up to Ps.500,000 (in nominal terms) to 16% on loans up to Ps.4 million (in nominal terms). These discounts were offered for payments made within two years from the date the program became effective.

The cost of the program offered to agricultural borrowers is shared by the federal government of Mexico and the bank, with the bank absorbing a percentage ranging from 15% of the cost of the discounts for loans under Ps.500,000 (in nominal terms) to 10% on loans above Ps.2 million (in nominal terms).

As of December 31, 2009, we had no loans to agricultural borrowers that were subject to this program.

Small and medium-sized borrowers

The benefits of the Punto Final program to small and medium-sized business borrowers were offered only to those borrowers with loans granted before July 31, 1996. This program offers such borrowers a 45% discount on all payments on such loans, including principal, for the first Ps.500,000 (in nominal terms) of a loan's outstanding balance. An additional 20% discount was offered on the remaining balance up to Ps.2 million (in nominal terms). The maximum amount that may be refinanced under this program was Ps.10 million (in nominal terms) of outstanding balances as of January 1, 1999. These discounts were offered for payments made within two years from the date the program went into effect.

The cost of the program offered to small and medium-sized business borrowers is shared by the government and the bank, with the bank absorbing 22.5% of the cost of the discounts for loans under Ps.500,000 (in nominal terms) and 8.5% on loans above this amount.

As of December 31, 2009, we had no loans to small and medium-sized business borrowers subject to this program.

Agricultural and small and medium-sized business borrowers who took advantage of discounts offered by the Punto Final program could not benefit from additional discounts offered by previously established debtor support programs.

Other Restructuring Programs

Middle-market, government and mortgage banking

As of March 31, 2007, our middle-market and government banking division had restructured loans under the UDI program representing an aggregate outstanding amount of principal and interest of Ps.1,503 million (constituting 2.1% of the loans made by this division and 0.4% of our total loan portfolio).

Workout and credit recovery

We operate a central workout unit in Mexico City, as well as four smaller credit recovery units operating throughout Mexico. These units handle debt recovery for borrowers with loans in excess of Ps.1 million in current and past-due principal. Recovery prospects are measured by reference to a scale of 1 through 8, with a loan ranked 1 deemed to have the best recovery prospect and a loan ranked 8 deemed to have the worst recovery prospect. The credit recovery units are automatically engaged in respect of non-performing loans ranked 6 or higher.

In the event that a credit recovery unit is unable to reach an agreement with a borrower in respect of non-performing loan amounts and the borrower fails to propose terms for an alternative satisfactory restructuring agreement, the unit submits the loan to our litigation department for the initiation of an action to recover the loan. Foreclosure procedures on collateral in Mexico can take a long period of time. These procedures require the filing of a written petition with a Mexican court, requesting the court's authorization to complete the foreclosure. This petition and its approval process are generally subject to significant delays. Accordingly, the value of the collateral may be impaired during the foreclosure process as a result of delays or other factors. As a result, there can be no assurance that the rate of non-performing loan recoveries will not decrease in the future. Loans with respect to which recovery has been unsuccessful despite the implementation of workout procedures and litigation, are charged off.

Short-Term Borrowing and loans from to Repurchase Agreements

The following table sets forth our short-term borrowings and securities sold under agreements to repurchase for the periods indicated.

	As of December 31,					
	2008		2009		2010	
	Amount	Rate	Amount	Rate	Amount	Rate
	(millions of pesos, except percentages)					
Short-term borrowings:						
At end of period	Ps. 27,428	9.01%	Ps. 5,423	19.25%	Ps. 52,186	0.99%
Daily average indebtedness during period	32,676	7.56%	23,165	4.51%	13,316	3.88%
Maximum month-end balance	49,703		46,828		52,286	
Securities sold under agreements to repurchase:						
At end of period	267,622	8.50%	237,610	7.19%	138,026	7.67%
Daily average indebtedness during period	290,193	7.84%	331,247	5.15%	235,551	4.50%
Maximum month-end balance	348,569		295,233		249,906	
Total:						
At end of period	295,050	8.54%	243,033	7.46%	190,212	5.84%
Daily average indebtedness during period	322,869	7.81%	354,412	5.11%	248,867	4.46%
Maximum month-end balance	Ps. 398,272		Ps. 342,061		Ps. 302,192	

Deposits

The following table presents the components of our deposit base for the periods indicated.

	As of December 31,		
	2008	2009	2010
	(millions of pesos)		
Interest-bearing demand deposits:			
Peso-denominated	Ps. 211,887	Ps. 227,443	Ps. 275,277
Foreign currency-denominated	38,424	42,722	36,706
Subtotal	250,311	270,165	311,983
Non interest-bearing demand deposits:			
Peso-denominated	64,696	71,852	78,487
Foreign currency-denominated	9,874	12,764	11,872
Subtotal	74,570	84,616	90,359
Saving deposits:			
Peso-denominated	100	174	66
Foreign currency-denominated	8	7	7
Subtotal	108	181	73
Time deposits:			
Peso-denominated	213,585	214,828	192,841
Foreign currency-denominated	15,266	17,732	20,865
Subtotal	228,851	232,560	213,706
Total	Ps. 553,840	Ps. 587,522	Ps. 616,121

THE TEXAS AGENCY

General

On June 2, 2003, our Texas Agency was issued a license by the commissioner of the Texas Department of Banking under the Texas Finance Code. Through the Texas Agency, we are a foreign bank licensed to transact business in the State of Texas under the Texas Finance Code. The Texas Agency's registered office is located at 5075 Westheimer Road, Suite 1260W, Houston, Texas, United States of America; the Agency's telephone number is 713-341-8200; and the Agency's charter number is 5030-03.

A licensed foreign bank agency in the State of Texas has the powers outlined in the Texas Finance Code, including, but not limited to, the power to (i) borrow and lend money with or without property as security and (ii) buy or acquire and sell or dispose of a bill of exchange, draft, note, acceptance or other obligation for the payment of money. The Texas Agency may not accept deposits from citizens or residents of the United States, other than credit balances that are incidental to or arise out of the exercise of other lawful banking powers, but may accept deposits from person who are neither citizens nor residents of the United States.

Activities

The Texas Agency is not an entity separate and distinct from BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financerio BBVA Bancomer. The Texas Agency is required to keep the assets of our business in the State of Texas, including the assets of the Texas Agency, separate and apart from the assets of our business outside the State of Texas. Our depositors and creditors arising out of transactions with, and recorded on the books of, the Texas Agency are entitled to absolute preference and priority over the depositors and creditors of our offices located outside of the State of Texas with respect to our assets located in the State of Texas. The majority of transactions of the Texas Agency are performed under our direction and involve booking loans originated at our home office and accepting deposits from non-United States corporations, government agencies, or persons who reside, are domiciled, and maintain their principal place of business in a foreign country.

Regulation of the Texas Agency

Under Mexican law, the Texas Agency's obligations are our obligations. The Texas Agency is subject to regulations issued by the CNBV and Banco de México, including liquidity requirements as well as applicable regulation issued by the Texas Department of Banking. See "Supervision and Regulation—Liquidity Requirements for Foreign Currency-Denominated Liabilities."

Our Texas Agency is examined by the Texas Department of Banking and is generally subject to all of the laws of the State of Texas that are applicable to a Texas state bank. The Texas Agency is required to pledge certain assets to the commissioner for the benefit of the creditors and depositors of the Texas Agency's business in the State of Texas. At this time, the commissioner has not imposed upon the Texas Agency any requirement to maintain a specific ratio of assets to liabilities appearing on the books, accounts and records of the Texas Agency or liquidity requirements. However, the commissioner has the discretion to impose such requirements as may be necessary or desirable to reflect differences among Texas agencies because of (i) the financial condition of the Texas agency offices of the foreign bank, (ii) the financial condition of the branch or agency offices of the foreign bank located in other states, (iii) the general economic conditions prevalent in the home country of the foreign bank or (iv) the financial condition of the foreign bank itself, including the financial condition of branches or agencies in other countries, the financial condition of its affiliated bank and non-bank subsidiaries in the United States and the financial condition of the foreign bank on a worldwide consolidated basis or in its home country.

The Texas Agency is required to disclose that deposits and credit balances are not insured by the Federal Deposit Insurance Corporation.

The Texas Finance Code authorizes the Texas commissioner of banking to take enforcement actions to revoke the license of a foreign bank agency or to seize the assets that are located in Texas of a non-U.S. bank for a variety of offenses, including but not limited to, if the Texas commissioner by examination or other credible evidence finds that the foreign bank (i) has refused to permit the Texas commissioner to examine its books, papers, accounts, records or affairs, (ii) has failed to make a report required or made a material false or misleading statement, (iii) has misrepresented or concealed a material fact in the original application for license or (iv) conducts business in an unsafe and unsound manner. If the commissioner finds that certain conditions have been met, including consideration of the foregoing factors and others established by statute, and that it is necessary for the protection of the interests of creditors of the foreign bank's business in the State of Texas or for the protection of the public interest the commissioner may initiate a variety of enforcement measures, including, without limitation the following: (i) The commissioner may issue, without notice and hearing, an order suspending or revoking the license of the foreign bank for a period of up to ninety days, pending investigation or hearing. If the commissioner issues a final order revoking the license of a foreign bank, such foreign bank must immediately cease all activity in the State of Texas requiring a license. (ii) The commissioner may seize the assets of the Texas Agency or liquidate the Texas Agency under circumstances and using procedures similar to those used to liquidate a Texas state bank, except that the depositors and creditors of the Texas Agency, arising out of transactions with and recorded on the books of the Texas Agency, would have an absolute preference and priority over the creditors of our offices located outside the State of Texas. After the commissioner (or other receiver) completed the liquidation of the property and business of the Texas Agency, the commissioner would transfer any remaining assets to us or to the liquidators of our offices in other states in the event that such proceedings were pending in other states.

In addition to being subject to Texas banking laws and regulations, the Texas Agency is also subject to federal regulation primarily under the International Banking Act of 1978, as amended (the "IBA"), and the amendments to the IBA made pursuant to the Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), and to examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). Under the IBA, as amended by FBSEA, all U.S. branches and agencies of foreign banks, such as our Texas agency, are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by U.S. bank holding companies.

Among other things, FBSEA provides that a state-licensed branch or agency of a foreign bank may not engage in any type of activity that is not permissible for a federally licensed branch or agency of a foreign bank unless the Federal Reserve Board has determined that such activity is consistent with sound banking practice. A state branch or agency must also comply with the same single borrower lending limits applicable to national banks. These limits are based on the capital of the entire foreign bank. In addition, FBSEA authorizes the Federal Reserve Board to halt the activities of a U.S. branch or agency of a foreign bank if it finds that the foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country or there is reasonable cause to believe that such foreign bank, or an affiliate, has violated the law or engaged in unsafe banking practice in the United States, and as a result, continued operation of the branch or agency would be inconsistent with the public interest and purposes of the banking laws.

THE BANK

The Bank

We are a leading multi-purpose bank with limited liability organized under Mexican law. We provide a wide range of banking, securities and financial services to approximately 265,000 companies and government entities, and to over 16.3 million retail customers throughout Mexico. As of December 31, 2010, we had total assets of Ps.1,098,162 million and total deposits (including local bank bonds) of Ps.617,335 million. In 2010, our net income was Ps.22,541 million and our stockholders' equity was Ps.109,412 million. As of December 31, 2010, based on total assets, deposits and equity, we were the largest bank in Mexico.

We are the principal subsidiary of Grupo Financiero BBVA Bancomer S.A. de C.V., a Mexican financial services holding company ("GFBB"). GFBB is controlled and substantially all of its capital stock is beneficially owned by Banco Bilbao Vizcaya Argentaria, S.A., a leading Spanish bank ("BBVA"). As of December 31, 2010, we accounted for approximately 99% of GFBB's total assets and approximately 84% of GFBB's net income.

We provide a wide variety of banking products and services in Mexico through a nationwide network of 1,797 branches, 6,760 ATMs, 126,002 point of sale terminals and through our website www.bancomer.com. We are focused on offering our services in an efficient manner, and approximately 80% of our banking transactions are completed electronically (primarily through ATMs and other remote channels). We are present in all 32 states in Mexico, and according to information from CNBV as of December 31, 2010 we are leaders in 28 out of 32 Mexican states in terms of total deposits.

Our commercial activity has been growing over the last three years at an average rate above GDP economic growth. Compounded annual growth for our performing loan portfolio was 6.2% from 2008 to 2010, while total deposits (including demand and time deposits) showed a compounded annual growth of 6.1% during the same period.

Despite the deterioration of the global macroeconomic environment over the last two years, our loan portfolio grew while maintaining a sound asset quality. Total non-performing loans as percentage of total loans equaled 2.5% in 2010, a decrease compared with the ratio of 3.8% in 2009 and of 3.2% in 2008. Our loan portfolio mix has changed over the last three years with consumer loans decreasing in 2008 compared to an increase of commercial and mortgage loans. By comparison, in 2009 and 2010, our loan portfolio was predominantly comprised of commercial loans, which includes loans to corporates, middle-market costumers, financial entities, housing developers, government entities and municipalities.

Our net income decreased 6.6% in 2008, grew 0.5% in 2009, and grew 22.2% in 2010, in each case as compared to the previous year. Net income increased in 2010 as compared to 2009 as a result of the combination of strong total operating revenues mainly due to a decrease in our interest expense and lower provisions for loan losses attributable to an improvement in the overall quality of our loan portfolio. Our performing loan portfolio grew 11.1% in 2008, 0.6% in 2009 and 12.0% in 2010, in each case as compared to the previous year.

The Mexican financial market is a highly competitive industry. As of September 30, 2010, a total of 41 banks operated in Mexico. We hold the leading position in the following business lines:

	As of December 30, 2010[1]	
	Market Share	**Rank**
Total assets	21.4%	1
Total deposits	24.6%	1
Total peso-denominated bond issuances[2]	27.0%	1
Total loans	25.9%	1
Number of branches	15.9%	1

Source: CNBV, except as otherwise noted. Market share includes not only commercial banks but also limited-purpose financial institutions (Sofoles).
Source: Valmer

Our principal subsidiaries include:

- Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. ("AFORE Bancomer"), a pension fund management company; and

- *BBVA Bancomer USA, Inc*, (formerly known as BBVA Bancomer Financial Holdings, Inc.) a holding company through which we hold our operations in the United States, including Bancomer Transfer Services, Inc. ("BTS"), a money remittance services company based in the United States; Bancomer Financial Services, Inc. ("BFS"), an agent for BTS in the State of California for money transfers and bill payments; and Bancomer Foreign Exchange, Inc. ("BFX"), a currency exchange company and agent of BTS in Texas.

Organizational Structure

We are the principal subsidiary of GFBB, a Mexican financial services holding company.

In addition to our own products and services, we distribute and earn fee income and commissions from a wide range of financial and related products and services in Mexico for GFBB and other affiliates, including:

- bank assurance products on behalf of *Seguros BBVA Bancomer, S.A. de C.V.*;

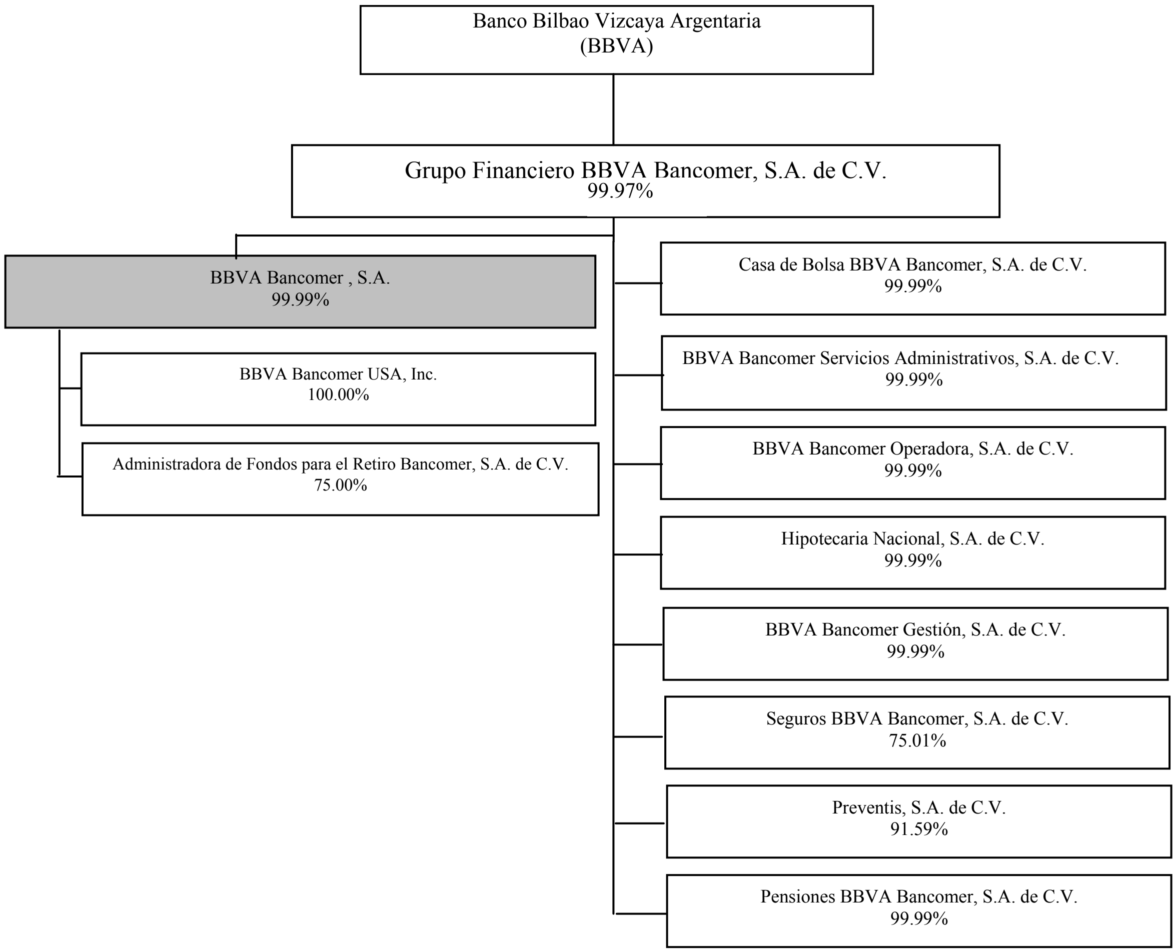
- mutual funds on behalf of BBVA Bancomer Gestión, S.A. de C.V.;

- brokerage services on behalf of Casa de Bolsa BBVA Bancomer, S.A. de C.V.;

- pension fund management on behalf of *Pensiones Bancomer, S.A. de C.V.*; and

- mortgage loans on behalf of *Hipotecaria Nacional, S.A. de C.V.* ("Hipotecaria Nacional").

The following chart presents our current holding organizational structure and that of GFBB, including principal subsidiaries and affiliates, and respective ownership interests:



Our headquarters are located at Avenida Universidad No. 1200, Colonia Xoco, Mexico City, Mexico 03339. Our telephone number is (5255) 5621-3434. See "The Bank—Properties."

Our History

General

Our origins can be traced back to *Banco de Comercio, S.A.*, which was founded in 1932 in Mexico City. In 1977, various institutions comprising the Banco de Comercio Group were consolidated into a multi-purpose bank under the name of "Bancomer." The merger enabled us to maintain our strong ties with local communities throughout Mexico and begin offering the services of a national banking network.

Bancomer was nationalized by the Mexican government in 1982 along with nearly all other commercial banks in Mexico. As part of the subsequent privatization process, in 1991, a core group of Mexican investors led by Eugenio Garza Lagüera incorporated Grupo Financiero Bancomer ("GFB"), to acquire 56% of Bancomer's outstanding capital stock directly from the Mexican government.

GFB subsequently increased its ownership of Bancomer through acquisitions and, in 1993, the Mexican government exchanged its remaining stake in Bancomer for shares of GFB's capital stock, which gave GFB control of nearly 100% of Bancomer's outstanding capital.

BBVA's investment in GFB

In 2000, BBVA acquired operating control of Grupo Financiero Bancomer, S.A. de C.V., which was renamed Grupo Financiero BBVA Bancomer, S.A. de C.V. As a result of a merger of Grupo Financiero BBV-Probursa, S.A. de C.V. ("BBV-Probursa"), an indirect subsidiary of BBVA and the parent of Banco Bilbao Vizcaya Mexico, S.A. ("BBV-Mexico"), into GFB in July 2000, BBVA obtained approximately 30% interest in the outstanding capital of GFB. As a result of a series of transactions effected between January 2002 and March 2004, BBVA acquired approximately 99.9% of the capital stock of GFBB.

Following BBVA's initial investment in GFB in 2000, we grew as a result of our September 2000 merger with Promex, an insolvent bank that had been acquired by the Mexican government, and, to a lesser extent, the transfer of a substantial portion of the traditional banking business of BBV-Mexico to us in 2001. As part of such transfer, certain of our assets and activities, including our ATM network, were transferred to BBV-Mexico. In connection with such transfer, we were renamed BBVA Bancomer, S.A., Institución de Banca Múltiple and BBV-Mexico was renamed BBVA Bancomer Servicios, S.A., Institución de Banca Múltiple, or BBVA Bancomer Servicios.

We are a Mexican company authorized to exist and operate as a foreign-owned subsidiary bank. 100% of our capital is owned by GFBB a foreign-owned subsidiary holding company, whose capital, in turn, is 99.97% owned by BBVA.

On August 1, 2009, we entered into a merger agreement through which BBVA Bancomer Servicios S.A. was merged into BBVA Bancomer, resulting in one financial institution. As a result of this merger, all former business activities of BBVA Bancomer Servicios, S.A., including trust and ATM services, are now wholly-owned and carried out by BBVA Bancomer.

Strategy

Our central strategy consists in continuously increasing the profitability of our business through permanent and long-term growth that will enable us to continue being the leading bank in the Mexican financial market. Future growth will be supported by our customer-driven business model that provides specialized attention to each type of customer.

In 2010, we completed a three-year strategic plan focused on increasing innovation and enhancing long-term productivity. Our commercial network productivity, a measure of the number of products (specifically demand deposits accounts, credit cards, consumer loans, small business loans, mortgage loans, insurance and direct debit) sold per branch executive each month, increased 7.4% in 2008, 22.2% in 2009 and 16.8% in 2010. During 2010, we launched a new strategic plan focusing on the unique market opportunities that Mexico offers to continue growing and diversifying our financial services. This new strategic plan is based on three areas of focus:

- *Customers*: They are the center of our business, and it is our principal objective to offer a differential approach to each customer segment,

- *Distribution*: We seek to create an integrated multichannel distribution model, enhancing our current distribution network with user friendly channels based on current and enhanced technology, and

- *Simplicity and Efficiency*: We seek to improve our processes to make them simple and more efficient not only to simplify matters for customers but also to allow us to operate on an efficient and transparent basis.

This new strategic plan includes 34 initiatives involving substantially all of business and administrative units and represents an ambitious investment plan intended to enhance our business model, our service, our commercial efficiency, risk control and profitability.

Our strategy focuses on developing the following areas:

Customer base

The principal focus of our new strategic plan is a corporate wide understanding of our customers as the center of our business. Initiatives to advance to this new strategic plan include cross-selling in all our client segments, creating new value-added products and customized solutions such as *Tarjeta Negocios* and *MicroNegocios* for the small businesses segment and enterprise investment banking for middle-sized enterprises. See "Banking divisions—Retail banking—Micro and small businesses; self-employed individuals."

A central part of this approach is to continue growing our customer base and to reach new segments and new markets. As of December 31, 2010, we had 16.3 million individual customers, including approximately 265,000 companies, including large corporations, small and medium-sized enterprises and small businesses, and 7,157 government customers.

We view customer service as a top priority, as we consider it to be one of the differentiating elements that enable us to have a market advantage in a highly competitive financial services industry. To further improve our customer satisfaction, we have enhanced our products and channels of delivery that are most valued by our customers, allowing us to achieve enhanced service levels.

We have developed a new metric that links our growth with customer recommendation, as measured by the Net Promoter Score ("NPS") methodology. NPS is a strict measure that detects opportunities through an effective mechanism that allows us to identify the causes of satisfaction and dissatisfaction amongst our customers and prioritize critical areas of improvement. These measures are designed to generate recommendations by our customers to potential new customers. During 2010, the NPS methodology was implemented in all our business units and in our branches improving our measure of customers' satisfaction to enhance the quality of our services.

Another initiative to improve customer satisfaction is the program Bancomer Q, which seeks primarily to increase our service and maintain the preference of our customers. This program monitors the most important advances and improvements in the services provided through our retail branches. Branches are qualified according to different characteristics: Q Category, when the service is being completed with a certain level of quality according to diverse indicators and it is positively valued by customers; Blue Category, when branches maintain optimal levels in their indicators and keep the Q Category for three consecutive months; Silver Category, when the Blue Category is kept for more than six months; Gold Category, when excellence in service is obtained and a Silver Category is maintained for six months. During 2010, 59% of our retail branches where certified as Bancomer Q. The remaining 41% are undergoing a certification process. Meanwhile, the service quality at these branches is measured through customer surveys.

In order to increase our customers confidence in our services, during 2010 we continued to develop the program Garantías Bancomer, which is focused on providing aggregate value and strengthening our long-term engagement with our customers by offering specific guarantees to processes that are highly valued by our customers including an efficient response time for customer inquiries and complete reimbursement and liability coverage for fraudulent credit and debit card purchases.

With respect to preferred and VIP customers, we have made a complete segmentation of lines in our retail branches to reduce their waiting time. Preferred customers are assured that they will wait no more than 5 minutes in line and are assisted by a specialized executive. This new focus in branches has permitted us to better attend to our VIP customers and has increased productivity.

We have made considerable attempts to reduce branch traffic through the installation of electronic payment systems, lowering also the number of customers waiting for tellers despite experiencing an important increase in the number of transactions and customers. As of December 31, 2008, 24.1% of total banking transactions were made through tellers. As of December 2009, this number was reduced to 20.5% and as of December 31, 2010, this number was further reduced to 19.6%. Our new strategic plan aims to continue reducing branch teller traffic by enhancing the self-service model in our branches. We intend to increase the number of

ATMs and upgrade them technologically to provide our clients with a wider range of electronic transactions. With this initiative we expect to reduce the cost of teller transactions and increase productive time for our branch executives to focus on selling value added products and achieving customer satisfaction. Also, as part of our new strategic plan, we intend to invest in expanding our infrastructure by increasing the number of branches, ATMs, points of sale (POS) and to increase the number of POS through correspondent banking agreements. During 2010, we were authorized by CNBV to enter into correspondent bank agreements with several commercial partnerships and executing these agreements we expect to offer customers the possibility to make deposits, pay credit cards and services, and benefit from other financial services, in the store locations and establishments of each of our commercial partners, including OXXO, Farmacias Benavides, Chedraui, WalMart, among others.

Besides increasing our penetration within our customer base, we believe that we can provide diverse financial services to a significant portion of the Mexican population that is not currently served by the banking system. We intend to focus on opportunities to increase lending to these under-served segments of the population and broaden our offering of loans, including loans to micro, small and middle-market customers, such as working capital and fixed-asset financing, and loans to consumers, such as payroll loans. We intend to undertake all such lending based on careful risk analysis, knowledge of our customers, fine-tuning our credit terms and, to the extent necessary, our customer monitoring and collection processes. As an example of our actions to increase financial penetration in underserved segments of the population, in 2010 we launched the Cuenta Express, the first debit account in the market linked to a mobile phone number that offers the customer the possibility to make basic financial transactions through cellular phone technology.

Risk management

Our risk management strategy has facilitated our profit growth and controlled risk. We consider risk control to be a central part of our strategy, acting as a key differentiator and as a tool for future growth and profitability.

Over the last two years, we have fully consolidated our internal credit risk model, and we have developed advanced risk modeling tools for accurately measuring credit risk. For example, our internal model for credit provisioning for the credit card portfolio has been recently certified simultaneously by Banco de España, Spain's central bank, and the CNBV. Also, this is reflected in the positive performance of risk indicators such as the "risk premium", this is, provisions for loan losses divided by average loan portfolio:

	Risk Premium		
	2008	**2009**	**Sept 2010**
		(%)	
Bancomer	4.9	5.3	4.0
Banamex	9.2	7.2	4.9
Santander	6.7	7.0	4.7
HSBC	7.8	8.8	6.7
Banorte	3.2	3.5	2.8
Scotiabank	3.2	3.0	2.5
Market without Bancomer	6.7	6.7	4.4

Source: Quarterly financial reports of Financial Groups as of September, 2010.

We seek to control credit risk, asset quality and costs in all stages of the credit cycle (origination, follow-up and recovery) through the implementation of advanced tools and methodologies. We have a unit named "Customer Insight" specially focused on developing in-depth knowledge of our customers by individualizing every costumer based on its credit behavior to offer customized payment solutions. As part of our new strategic plan, we expect to improve our risk platform and modeling tools.

We have a clear objective of positively managing operational risk with structures based on tracking and correctly managing processes. In addition, we have introduced extensive internal risk management and control systems that involve all personnel and areas of the institution. Such programs focus on measuring, tracking and preventing potential risks, money laundering and financing of terrorist activities.

Leadership

As of December 31, 2010, a total of 41 banks operate in the highly competitive Mexican financial industry where we hold a leadership position (as described above) with respect to the following: total assets, total deposits, total loans, peso-denominated bond issuances and number of branches.

To increase our profitability and commercial activity, we seek to retain and enhance our leadership position. We expect to keep our leading position through the development of strategies and programs to increase long-term productivity, change processes significantly and develop new business models. In addition, we must keep expanding our distribution network through continuous investments in capital expenditures.

Efficiency and innovation

We seek to increase efficiency by developing technologies related to productivity. By introducing advanced technology in our processes, product development, service quality metrics and methodologies, we have been able to continuously detect and analyze significant areas where improvements can be made.

According to the CNBV, as of December 31, 2008, our efficiency ratio was 39.2%, as of December 31, 2009, our efficiency ratio reached 39.3%, and as of December 31, 2010, our efficiency ratio reached 42.5%, one of the best efficiency levels in the Mexican financial system. The deterioration in our efficiency ratio from December 2009 to December 2010 was due to higher expenses due to greater investment in infrastructure, innovation and technology to increase the number of ATMs from 6,237 in 2009 to 6,760 in 2010 and the number of POS from 120,043 to 126,002 in 2010.

We believe that one of the most important aspects of our strategy going forward will be to continue to seek ways to improve our operating efficiency and increase our core earnings. We intend to continue to accomplish these goals by seeking to reduce our funding costs through selective market and bank offerings, maintaining a low-cost deposit base and concentrating our efforts on higher margin products and services. We seek to maintain this advantage by focusing on core earnings and maintaining strict expense policies without affecting investment and business growth. We intend to continue to improve efficiencies through specialized training of our personnel, increased use of automated data and related systems and the use of external suppliers for non-strategic activities rather than in-house services when it is more cost-effective.

During the last few years, we have incorporated new customer service initiatives at our retail branches, like "Express Modules" (units located in branches to answer customers' questions not related to sales of our banking products), including promoting the use of ATMs to reduce branch traffic. In 2009, we launched a new generation of ATMs called *Recicladores* that are aimed at providing banking services at a sustainable cost through our business partnerships resulting from the re-use of customers' cash collected by our partner's businesses. Additionally, we introduced *Practicajas*, another type of ATM with lower transaction costs, which allows our customers to make deposits, transfers to third parties, credit card payments and borrowings.

Our customers continue to take advantage of our online banking services offered through our website. As of December 31, 2010, our internet portal clients were 1.4 million with approximately 660 million financial transactions, significantly more than the 534 million transactions in 2009, and 420 million in 2008. In 2010, our website was chosen as the Best Financial Portal in Mexico by the Mexican Internet Association (AMIPCI) and the Latin American Institute for Electronic Commerce (ILCE).

Corporate reputation and responsibility

We seek to act in accordance with our corporate principles and policies, including our commitment to social responsibility. We have a firm commitment to add value not only to customers, shareholders and employees but also to the entire society.

The following items represent the main corporate principles of the BBVA Group:

- ***Customer Value***: The customer as the focus of our business.
- ***Creation of Value***: The creation of value for our shareholders through our business.
- ***Team***: The team as the gateway for value creation.
- ***Management Style***: A management style that generates enthusiasm.
- ***Ethical***: Ethical conduct and personal and professional integrity as a way of understanding and developing our business.
- ***Innovation***: Innovation as a key for progress.
- ***Social Responsibility***: Corporate social responsibility as a pledge to development.

We are also fully committed to supporting Mexico's development, especially through *Fundación Bancomer*, our foundation that primarily supports education through various projects. We assign 1% of our net income on a yearly basis to the *Fundación Bancomer's* budget. Its most significant project includes a scholarship program called *Por los que se quedan*, which grants scholarships to children coming from disintegrated families due to migration. As of December 31, 2010, this program reached 18 states and 143 municipalities. Since the beginning of its operation, *Por los que se quedan* has granted a total of 20,600 scholarships, totaling Ps.150 million.

We are also focused on increasing financial education in Mexico through our program *Educación Financiera*, which provides users guidance on banking products and services. We hold various workshops that seek to educate users on savings, credit cards and mortgage loans. We have been able to deliver these workshops in an easy-to-access format, using our retail branches, or through mobile classrooms or electronic channels such as our website. Since we launched this project in 2008, we have offered more than 300,000 financial education courses to participants.

Recent Developments

In 2010, we decided to close our inactive Cayman Island branch and surrendered our license with the Cayman Island financial authority.

In early 2011, we made certain changes to our business divisions to advance the goals outlined in our new strategic plan. Our mortgage banking business unit was divided and its functions transferred to the retail banking unit and to the middle-market and government banking unit. Our individual or personal mortgage activities will now be conducted as part of our retail banking business while our commercial housing developers' mortgage division will be conducted as part of our commercial banking business. Completion of this transfer will take place gradually and is aimed at consolidating the strength of our mortgage business. These changes are expected to enable us to maintain our specialization and to target cross-selling opportunities, through our provision of focused solutions to both individuals and commercial developers.Business Divisions

Banking divisions

We operate through a number of divisions, mainly retail banking, middle-market banking, government banking and corporate and investment banking.

Retail banking

General

Our retail banking division is our major operating business division and focuses on providing banking services and originating retail loans through our network at December 31, 2010 of 1,780 retail branches and 6,760 ATMs throughout Mexico, as well as through channels outside of these networks, including 125,853 point-of-sale terminals, and our interactive customer information and transactional website www.bancomer.com. Our retail banking division offers credit and debit cards, automobile loans, consumer loans, and loans to small businesses. We segment our customer base primarily based on deposit size: retail banking, foreign residents and personal and private banking. Our retail banking division also offers financial services to micro, small and mid-sized businesses, as well as to self-employed individuals (known collectively as PyMES) which has been a growing sector for us.

As of December 31, 2010, our retail banking division catered to over 16 million customers, 92% of which are retail customers, 7% of which are preferred, personal and private banking customers and approximately 1% of which are small businesses, which we define as companies with annual sales or revenues under Ps.30 million, many of which are organized as sole proprietorships. As of December 31, 2010, our retail banking division accounted for approximately 18.7% of our total loan portfolio, reported approximately 60.6% of our demand and time deposits, and accounted for 42.0% of our net interest income and 55.2% of our fee income.

Our retail banking business division has been focused on continuing to expand its customer base. One particularly key segment where financial penetration is still modest is payroll accounts (similar to direct deposits in the United States), which has considerable potential for deposits and cross selling. As of December 31, 2010 we had over 6.2 million payroll accounts.

One of the main factors in our commercial activity growth is higher productivity. During 2010, the productivity of the retail banking division, measured as the number of products sold per executive per month, increased at an average annual rate of 16.8% compared to 2009, reaching an origination of more than 2.7 million demand deposit accounts, 1.1 million credit cards, 990,000 consumer loans, 11,000 mortgage loans and 35,000 credits to small businesses.

Deposits

We believe that our diversified and stable deposit base provides us with a low-cost source of funding. Our deposit base has traditionally been one of our strengths and represents an area of prime strategic importance. Our strategy is aimed at increasing our deposit base and maintaining competitive funding costs and this is supported through commercial campaigns seeking to increase savings accounts.

Promotional campaigns are typically held twice a year for a two-week period offering awards such as electronics or other household goods to account holders who open or increase balances by at least Ps.7,000. In addition, these customers are entered into raffles for more expensive awards such as automobiles. As of December 31, 2010, we had 7.4 million savings accounts according to CNBV. Additionally, since 2009 Bancomer integrated the campaign "*Hecha a Volar tu Negocio*" aimed at increasing deposits from our micro and small businesses customers.

Our *El Libretón* product is a savings account that includes a debit card with access to ATM's and establishments around the globe. This account allows the customer to have immediate availability of their resources, and if the customer maintains a minimum of Ps.1,000, the account pays an annual interest rate of 0.30%. Among the advantages of *El Libretón*, for every multiple of Ps.3,000 maintained as a monthly average of the account, the customer will obtain a ticket to participate in the different draws that BBVA Bancomer has.

As of December 31, 2010, the retail banking division balances of demand deposits reached over Ps.231,940 million, 58.5% of Bancomer's total demand deposits. This level of activity contributed to strengthen our funding costs supporting recurrent income. This business division also offers time deposits and mutual funds and is continuously designing specialized products for each segment. As of December 31, 2010, the balances in time deposits and mutual funds from the retail banking division were Ps.95,176 million and Ps.227,865 million, respectively which represent 81.3% of our total time deposits and mutual fund balances.

We issue debit cards through a variety of different account products. As of December 31, 2010, we have a total of approximately 19.3 million debit cards. Aggregate debit card billing for December 31, 2010 totaled Ps.706,301 million, a 5.6% growth rate annual increase.

Lending

The retail banking business division also grants credit through its large branch network. Lending products offered through our retail branches include: credit cards, payroll loans, auto loans, mortgage loans and credit for micro and small businesses. The focus of the retail banking division on its wide customer base and the constant focus on attracting new customers, has resulted in the issuance of 2.9 million new credit cards in 2008, 2.1 million in 2009 and 2.6 million in 2010, maintaining balances for over Ps.74,300 million as of December 31, 2010. It also has led to 732,000 new payroll loans in 2008, 576,000 in 2009 and 812,000 in 2010. Over 74,000 auto loans were extended in 2008, 54,000 in 2009 and 82,000 in 2010.

Micro and small businesses; self-employed individuals

Our retail banking division provides banking services and originates loans for small businesses. The maximum level of credit extended to such companies is generally limited to approximately Ps.8 million, and all such loans are generally secured.

In 2003, we developed revolving credit lines for our small business customers, which do not require collateral. We refer to these credit lines as "*Tarjeta Negocios*." *Tarjeta Negocios* are limited to Ps.3.4 million, and are primarily used by our small business customers to finance their working capital needs. *Tarjeta Negocios* can also be used as a special purpose credit card, which allows a large number of our small business customers to access term financing for the first time. Small business owners can use their line of credit electronically and write checks against their line of credit. *Tarjeta Negocios* has the support of a Ps.1,500 million guaranty fund established by the Ministry of Economy (*Secretaría de Economía*) as part of a credit expansion program. As of December 31, 2010, we had issued approximately 35,000 new loans to small businesses.

In 2010, approximately 372,000 enterprises are part of this network (with the small businesses specialized network having 3,000 dedicated customers).

In November 2009, we launched "*Tarjeta Micronegocios*" to address the needs of micro-businesses, which has historically obtained financing through suppliers, family and friends. The main benefit of this product, also in the form of a special credit card, is that it provides these companies with (1) the possibility to separate personal finance from the business; (2) frees personal accounts; and (3) enhances the structure of the business.

Personal and private banking

We provide customized financial and investment services to high-deposit and high net worth individuals (generally persons with funds exceeding Ps.2 million and Ps.10 million, respectively), through our personal and private banking unit. These customers are assigned a relationship officer who is familiar with the customer's individual needs, and who can recommend and provide access to specialized products and services.

The personal and private banking unit has 57 offices and 278 representatives located throughout Mexico who attend to approximately 42,000 customers. The personal and private banking unit is the retail banking division's initiative to provide our customers with tailored solutions to their financial planning needs.

Together with Casa de Bolsa BBVA Bancomer, S.A. de C.V., GFBB's brokerage subsidiary, we offer securities trading for customers based on market prices.

Distribution channels

As of December 31, 2010, we had the largest national branch network consisting of 1,797 branches, including 1,687 full-service branches, 24 supermarket branches and 86 specialized branches (54 located in companies and 32 customs offices near the U.S.-Mexican border to facilitate payment of customs duties). Each of our branches reports to one of 11 divisions located throughout Mexico. We also have a branch located outside of Mexico in Houston. In 2010, we decided to close our inactive Cayman Island branch and surrendered our license with the Cayman Island financial authority.

As there was no business in the branches, and all the notes that were originally booked there , were transferred to the Houston Agency, we decided to close the branch as of Dec, 31, 2010. We surrendered the license to the Cayman financial authority

As of December 31, 2010, our ATM network, the largest in Mexico, consisted of 6,760 ATMs. In 2010, ATMs were our most important transactional channel, processing near than 500 million transactions, or approximately 29% of our total retail banking transactions, whereas www.bancomer.com, which should not be considered a part of this offering memorandum, and "*Línea Bancomer*" processed 165 million and 1 million transactions, respectively. In 2010, we invested in our ATM network, adding 523 new machines reaching a total of 6,760 with a market share of 18.8%. In addition, to continue improving our customer service, we have launched a new generation of ATMs called *Recicladores and Practicajas*, to reduce time spent in queue in our branch offices and enhance network productivity. We have placed 104 *Practicajas* and 16 *Recicladores*, and we are the only bank operating this type of ATM pursuant to a one-year exclusive concession.

Our retail banking division also operates a call center and telephone banking service, which we refer to as "*Línea Bancomer*," that allows our customers to call toll-free to conduct certain basic banking transactions, including obtaining account balances and transferring funds. Customers' calls are processed in our large-scale call center located in Mexico City. Our call center also allows us to perform telemarketing activities to offer credit cards and bank assurance products (provided by Seguros Bancomer, S.A. de C.V., an affiliated subsidiary of GFBB) to our customers, as well as services such as the payment of bills and automatic debits to checking accounts.

In 2010, the number of transactions through electronic channels reached 165 million on-line banking transactions, 501 million banking by phone and ATM transactions, and 571 million debit card transactions.

Technological innovation made new inroads for our customers through developments like Bancomer TV, a private television network installed in our branches that carries programming in real time over the Internet. The product adds value to our customers' waiting time, providing them with general entertainment and important information on the use of our products and services, while also supporting sales management and operations in our offices.

At the end of 2010, the CNBV approved our partnership with small merchants, supermarkets and pharmacies to realize third-party payments, deposits, credit payments and credit card payments. We believe that under this scheme, we will be expanding our network in approximately 12,000 points of sale.

Mortgage banking

The mortgage banking division offers residual home loans to individuals as well as to homebuilders. It has a network of 95 offices across Mexico that provides specialized services to its customers. In 2010, our mortgage banking division maintained its leadership position in the individual home mortgage market, holding a 43.1% market share in the number of new loans granted.

At year end 2010, the individual mortgage portfolio totaled Ps.140,829 million, 8.1% more than at year end 2009. The Loan to Value of our mortgage loans ranges between 75 to 90%.

The mortgage banking business division also offers lending to housing developers. As of December 31, 2010, we committed financing for the construction of 93,161 homes worth a total of Ps.22,337 million. The balances of the business portfolio was Ps.37,818 million.

In 2010, our mortgage banking division received for the third consecutive year the National Housing Award given by the Ministry of Social Development. We received this award in recognition of our division's effort to offer differentiated solutions to more than 402,000 customers based on their economic situation as a result of the 2008 economic crisis.

As of December 31, 2010, the mortgage banking division accounted for 31% of our total loan portfolio amounting to Ps.178,647 million, and it catered to approximately 401,771 individual customers and 712 housing developers. As of December 2009, the mortgage banking division accounted for 33% of our total loan portfolio amounting to Ps.169,171 million, and it catered to approximately 393,014 individual customers and 720 housing developers.

We believe there are significant opportunities to continue growing our mortgage business going forward. We expect that our mortgage business will grow in correlation with demand for housing in Mexico, which is expected to expand as a result of population growth and to the Mexican government's continued support of the sector.

Consumer credit business

The consumer credit business unit holds the issuance and granting of bank credit cards, private label credit cards and consumer financing including payroll loans, auto loans and unsecured consumer financing. We are a leading bank issuer of Visa, Master Card and private label credit cards in Mexico. Revenues from credit card operations are derived primarily from annual fees charged per account, variable interest rates charged on monthly account balances and merchant fees. As of December 31, 2010, we had over 13.7 million issued credit cards, including Visa, Master Card and private label credit cards. As of December 31, 2010, total credit card loans outstanding were Ps.74,308 million, while aggregate credit card billing totaled Ps.167,519 million.

We offer a wide array of different credit cards, in order to reach all types of customers. Some examples of these products are described below:

In 2005, we launched "*Vida Bancomer*," the first customer loyalty program utilizing a credit card with an embedded intelligent microchip running proprietary software developed to offer real-time rewards to customers and marketing and merchandising flexibility to merchants. Customers can redeem points, coupons and discounts on-site and merchants can control their advertising and promotional activity by tailoring triggers to reward customer loyalty based on age, gender or spending habits.

Traditional bank credit cards offered by us include the benefits of *Vida Bancomer* with different benefit conditions depending on the type of credit card. For example, the "*Bancomer Azul*" credit card offers rewards of points equivalent to 10% of the value of the purchase. These points can be used to pay for merchandise from merchants affiliated with our reward program. The "*Bancomer Oro*" credit card offers a 15% of the value of the purchase in Bancomer rewards or points, while the "*Bancomer Platinum*" offers up to 20% in Bancomer rewards and double points in all purchases done in Mexico and other countries.

Our "*Tarjeta Congelada*" product is designed to expand our reach into lower income segments of the population, offers a revolving line of credit with fixed monthly payments.

As of December 31, 2010, approximately 60% of our credit cards were private label credit cards. We offered nine different private label credit cards and as of December 31, 2010, our outstanding loans represented Ps.142,158 million.

In 2010, 2.6 million of our credit cards were originated through our branch network, external networks and sales force. Portfolio management and segmentation has been the pillar of a positive credit performance.

Our consumer loan portfolio consists largely of unsecured personal loans, primarily for the purchase of consumer durables. We also offer automobile financing, mainly through partnerships with automobile builders. Our consumer loan portfolio, excluding credit card loans, reached Ps.49,533 million as of December 31, 2010.

"*Creditón Nómina*" is a credit program collected through payroll deductions which offers customers the ability to borrow up to four months' salary and repay that balance over the course of three years. In 2010, we issued more than 813,000 of such loans. In addition, we issued 82,625 automobile loans and granted more than 172,000 personal loans as of December 31, 2010.

During 2009 we developed certain client differentiation and risk management tools that allow us to better identify customers with debt problems early on, and offer them a plan of support through preferential rates. One of these type of solutions was the permanent support program called Paga Bien, Paga Menos (pay well, pay less) which in 2010 was one of the pillars of success of the consumer credit unit. At the end of 2010, 36% of our current retail customer base is already enrolled in the program. With this we are helping to strengthen our credit relationships by offering better interest rates to high credit scoring credit card customers improving the quality our service and the loyalty of the clients.

After the economic environment of 2009 that led higher nonperforming loans than previous years, one of the action lines was the stock recovery through support plans. This strategy reduced the nonperforming loans in 2010 in 44% as compared to 2009.

Middle-market banking

Our middle-market banking division serves companies with annual sales between Ps.60 million and Ps.1,000 million per year. It has a network of 80 offices and 539 specialized representatives. As of December 31, 2010, this business division covered 38,900 companies with a variety of financial services.

The middle-market banking division loan portfolio reached Ps.75,902 million as of December 31, 2010 and represents approximately 29.1% of our total commercial portfolio. The quality of this portfolio has not been affected by its growth as the delinquency ratio was 2.42% at the end of 2010.

The middle-market banking division is also an important source of deposits, as most of its revenues come from liability products. This division has constantly increased its array products designed to meet its customers' needs in terms of cash management solutions and collection solutions. Some of its more popular products are: (1) *Tesorería Integral Bancomer*, which provides an easier and faster operation of our customers' financial transactions by the installation of a high-technology software through our website; and (2) *Multipagos*, which is a software that optimized the collection process.

Productivity growth in the middle-market business division has been one of the key drivers for this division's ongoing positive results. As of December 31, 2010, productivity, measured as the number of products sold per executive per month, increased at an annual rate of 13%.

We believe there is still a huge opportunity to continue growing our offering of loans and cash management as well as collection solutions to this segment as financial penetration is still very low. In addition, we have significantly increased cross selling. In 2010, 64% of our customers have more than 5 families of products with BBVA Bancomer against 63% registered in 2009 and 2008.

Government banking

The government banking division caters to Mexican federal agencies, states and municipalities. This business division has a network of 38 offices that caters to 7,157 customers with 97 specialized representatives that offer tailored-made products meeting its customers' different needs. The government banking division's capillarity has increased its relationship with its customers allowing us to be a leader in this segment.

Over the last two years, this business division completed the introduction of a new operating model in its offices that removed administrative activities from representatives and increased its commercial attributes in all branches. As a result of this strategy, productivity in this business division, measured as the number of products sold by executive per month, increased 88% in 2010 compared to 2009, distinguishing it from the market particularly in the specialization of its sales and its nationwide presence.

Among the products that our government banking division offers are payroll payouts for government employees, which help reduce the use of cash and checks. This business division also continued to offer tax collection solutions to state and municipalities helping them process tax payments through the introduction of advanced technological systems and products. In 2010, this business division installed 42% more point-of-sale terminals than in 2009. In addition, in 2010 we placed 1,553 new products electronic banking services to government entities than in 2009.

As of December 31, 2010, our government banking division accounted for 9.4% of our total performing loan portfolio and approximately 15.7% of our total demand and time deposits.

Corporate and investment banking

The corporate and investment banking division provides comprehensive products and services in finance, guarantees, merger and acquisitions, equity and fixed income, structured finance, international trade finance, cash management, e-banking, among others, through a network of three branch offices located in Mexico's largest cities. This division provides specialized services to Mexico's major corporate customers through originating, distributing and managing financing, money-market and investment products.

In 2008, we designed a new structure and customer portfolio segment to provide greater coverage, relying on synergies with other BBVA Group divisions and integrating them into a global vision aiming to offer our customers general solutions to their needs. We have also defined a new structure with dedicated bank representatives for transactional or relationship activities only, as well as industry bankers who specialize in specific sectors in order to better serve our customers while seeking recurrent income and higher return transactions that generate long-term value.

By the end of 2010, the corporate and investment banking division served 5,000 customers, which consisted of multinational companies that have a presence in Mexico and local companies that generally have annual sales or revenues over Ps.1,000 million. As of December 31, 2010, our corporate and investment banking division accounted for approximately 19% of our total performing loan portfolio, and 13% of our total demand and time deposits.

The corporate and investment banking division has been awarded several prizes over the years. As in the past, it is a leader in the origination, structuring and distribution of peso-denominated debt securities with a market share of 27.0%, according to Operating Valuations and Market References (Valmer) at year end 2010. This division also provides financial advice and helps our customers find private equity or venture capital investment opportunities, equity offering on the Mexican Stock Exchange and project financing. The corporate and investment banking division uses its range of products, accurate vision and knowledge of the local market and a flawless execution to customize the financial solutions it offers to customers.

According to Thomson, we achieved the trading within liquidity capital markets transactions in particular by acting as lead underwriter in the Initial Public Offering (IPO) of SARE Holding for Ps.930 million. We were also lead underwriter of the issuance of Ps.3,095 million capital development certificates by Prudential Real Estate Investors and lead underwriter of the U.S.$425 million IPO by Grupo Comercial Chedraui.

The cash management unit collects and disburses funds on behalf of companies and their suppliers, distributors, customers and employees to facilitate cash flow, reduce operating costs and improve information management. Our transactional product unit is constantly working on innovation projects that stimulate the development of new services on the market. As an example, during 2009, this unit launched an electronic payment service that enables corporate customers to make payments to employees, including direct deposits of salaries and wages. In addition, companies that subscribe to this service are able to make payments to other companies that maintain accounts with us or with other third-party banks.

Business through subsidiaries and affiliates

AFORE BBVA Bancomer

AFORE BBVA Bancomer is a leading pension fund management company that had over 4.5 million accounts as of December 31, 2010. In addition, as of December 31, 2010, AFORE BBVA Bancomer had Ps.210,879 million in assets under management, and its market share in terms of assets under management was

16.5% according to the National Commission for Retirement Savings-CONSAR (*Comisión Nacional del Sistema de Ahorro para el Retiro*), the Mexican pension fund regulator. As of December 31, 2010, AFORE BBVA Bancomer was one of the leading retirement funds in the market. As of December 31, 2010, AFORE BBVA Bancomer recorded net income of Ps.1,258 million. We own 75% of AFORE BBVA Bancomer; the remaining 25% is beneficially owned by BBVA.

AFORE Bancomer currently manages five pension funds, *Siefore Básica 1 (Bancomer Protege), Siefore Básica 2 (Bancomer Real), Siefore Básica 3 (Bancomer Progresa), Siefore Básica 4 (Bancomer Adelante), Siefore Básica 5 (Bancomer Emprende)*. It also has a team specializing in service and assistance for our customers, and its range of services is one of the most complete in the system.

BBVA Bancomer USA, Inc.

BBVA Bancomer USA, Inc. (formerly known as BBVA Bancomer Financial Holdings, Inc.) is a holding company through which we hold our operations in the United States, including, (i) Bancomer Transfer Services ("BTS"), a money remittance services company based in the United States; (ii) Bancomer Financial Services ("BFS"), an agent for BTS in the state of California for money transfers and bill payments; and (iii) Bancomer Foreign Exchange ("BFX"), a currency exchange company and agent of BTS in Texas.

Bancomer Transfer Services, Inc.

BTS offers money remittance services principally from the United States to Mexico and also services Latin America, Asia, Africa, and Eastern Europe. Customers may transfer funds to Mexico through any other money remitter with which BTS has signed agreements, including the U.S. Postal Service.

Bancomer Financial Service, Inc.

BFS offers money remittance services, including bill payments, as an agent of BTS through its two branches in southern California.

BBVA Bancomer Foreign Exchange, Inc.

BFX offers currency exchange and trading as an agent under BTS' currency trading license for BTS, other money transmitters, and other financial entities and corporations.

Competition

General

The Mexican financial sector is highly competitive; we face strong domestic competition in all aspects of our businesses from other Mexican financial groups, commercial banks, insurance companies and securities-brokerage houses as well as from non-Mexican banks and international financial intermediaries. In commercial banking, we compete with other large Mexican banks, many of which, like us, have been incorporated into a financial group and seek to offer a broad array of products and services to their customers. We also compete with certain non-Mexican banks (principally based in the United States) for the business of the largest Mexican industrial groups, government entities and high net worth individuals, as well as in providing U.S. dollar-denominated financing. We also compete with certain retailers that recently obtained a banking license like Ahorro Famsa, WalMart, Soriana, and others. In investment banking, we face competition principally from other major Mexican securities-brokerage houses, as well as from international investment banks.

On January 19, 1999, the Mexican Congress removed the remaining restrictions on aggregate foreign ownership, but not individual limits on ownership, of Mexican banks and enacted legislation to change the composition of their boards of directors to further encourage investment by non-Mexican entities in Mexican financial institutions. In addition, NAFTA, the Free Trade Agreement between Mexico and the European Union, the Free Trade Agreement between Mexico and Japan, other treaties, and relevant Mexican laws and regulations allow foreign financial entities incorporated in the United States, Canada, member states of the European Union, Japan and all countries parties to other free trade agreements with Mexico to establish subsidiary financial groups, banks, broker-dealers and other financial entities in Mexico.

As of December 31, 2010, the Mexican banking system was comprised of 41 private-sector banks, of which 23 are principally Mexican-owned and 18 foreign-owned and six government-owned banks. Mexico's six largest private-sector banks, BBVA Bancomer, Banamex, Santander, Banorte, HSBC and Scotiabank accounted for approximately 76.0% of all outstanding assets by Mexican private sector banks for the year ended December 31, 2010.

As a major commercial bank, offering a full range of services to all types of businesses and individual customers, we face a variety of competitors in different aspects of our business including seven large privately-owned commercial banks, ten investment banks and 24 "niche" banks.

Commercial banks in Mexico compete in the retail market with limited-purpose financial institutions, or *Sofoles*, which offer mortgage, consumer and commercial loans mainly for low- and middle-income individuals. These institutions may engage in certain banking activities and are supervised by the same regulatory authorities as commercial banks, but are prohibited from engaging in foreign trade finance, offering checking accounts and engaging in foreign currency operations. Since the Mexican economic crisis in 2009, most *Sofoles* have been affected by liquidity problems as a consequence of their difficulties to obtain funding and many have either disappeared or are in financial restructuring.

Until relatively recently, the commercial, mortgage and automobile credit market for middle- and low-income individual customers had been serviced almost exclusively by non-banking institutions. However, over the last years, banks have recovered market share from the non-banking institutions as they generally have cheaper funding sources. In our case, we believe we have reinforced our position *vis-à-vis* non-banking institutions in the mortgage lending market, through GFBB's acquisition of *Hipotecaria Nacional* in 2005. We have also sought to strengthen our position in key segments, including in the auto segment, where we have recently signed commercial exclusivity agreements with the Mexican operations of Ford and Suzuki to originate automobile loans through their network of domestic retailers.

The Mexican banking industry has experienced increased competition in recent years, which has led to, among other things, consolidation of the industry. Further consolidation may occur within the Mexican banking system. Mexican regulatory authorities have welcomed new market entrants in order to foster a more competitive market. In 2010, competition in the Mexican banking industry has increased as a consequence of organic growth through mergers and acquisitions, including the merger of Banorte and Ixe creating the third largest bank as measured in terms of total assets.

Commercial banks also face increasing competition from securities firms and other financial intermediaries that can provide corporate customers access to the domestic and international capital markets as an alternative to bank loans at very competitive prices.

We believe that we have several advantages over many foreign banks and smaller Mexican banks that allow us to compete effectively. We continuously seek to improve our products and services in order to address increased competition in recent years. Changes in interest rates reflect market behavior and changes in our net interest margin have resulted from changes in volumes tied to macroeconomic factors affecting the economy as a whole and all our competitors.

In the retail banking business, we compete with other private Mexican banks and with non-banking institutions. Among private Mexican banks, our strongest competitors in the retail market are Banamex, Santander, HSBC and Banorte, since those banks have also developed business strategies that focus on service coverage, branch network and strengthening of low cost distribution channels. We also consider these banks to be our most significant competitors in the small and medium-sized enterprise segment.

The following table sets out certain statistics on the Mexican commercial banking system as of December 31, 2010, except as otherwise indicated:

	Assets		Loans		Deposits		Stockholders' Equity	
	Amount	Market Share	Amount	Market Share	Amount	Market Share	Amount	Market Share
	(millions pesos as of December 31, 2010, except percentages)							
Domestic private-sector bank	Ps.1,395,766	22.2%	Ps. 696,785	26.8%	Ps. 684,612	22.9%	Ps. 142,306	22.4%
Foreign-owned banks	3,933,482	62.6%	1,430,322	55.0%	1,830,682	61.3%	410,766	64.8%
Private-sector total	5,329,248	84.9%	2,127,107	81.9%	2,515,294	84.2%	553,072	87.2%
Public-sector banks	838,672	13.4%	366,519	14.1%	471,892	15.8%	66,750	10.5%
Total banking system	6,167,920	98.2%	2,493,626	96.0%	2,987,186	100.0%	619,822	97.8%
Non-banking institutions*	112,369	1.8%	104,891	4.0%	—	—	14,123	2.2%
Financial system total	Ps.6,280,290	100.0%	Ps. 2,598,517	100.0%	Ps. 2,987,186	100.0%	Ps. 633,945	100.0%

Source: CNBV (without subsidiaries).
* Figures as of December 31, 2009, except loans.

Deposits

As of December 31, 2010, we had deposits of Ps.618,430 million. Our 24.6% share of the market for deposits, including borrowings from domestic financial institutions, ranks first among private-sector banks according to CNBV.

The following table sets forth the market shares in terms of deposits for the six private-sector banks with the largest market shares as of December 31 in each of the last three years:

	Bank Deposits(1) As of December 31,		
	2008	2009	2010
BBVA Bancomer	25.0%	25.6%	24.6%
Banamex	17.0%	20.7%	20.8%
Santander	13.6%	10.7%	11.3%
HSBC	11.9%	10.4%	10.1%
Banorte	10.9%	11.0%	10.7%
Scotiabank Inverlat	5.2%	5.0%	5.0%
Total for six banks	83.6%	83.4%	82.5%

Source: CNBV (without subsidiaries).
(1) Includes demand deposits, savings deposits, time deposits and local bank bonds.

Loans

As of December 31, 2010, we had the largest total loan portfolio among Mexican banks with a total of Ps.573,991 million. Our total loan portfolio represented 27.0% of the market for loans in the Mexican banking system (comprising all commercial banks) as of such date. Despite the adverse environment and the sudden improvement of the major competitors, the total loan portfolio of BBVA Bancomer showed a 10.5% annual growth rate. The following table sets forth the market shares in terms of loans for the six private-sector banks with the largest market shares as of December 30 in each of the last three years.

	Bank Loans As of December 31,		
	2008	2009	2010
BBVA Bancomer	25.6%	24.7%	25.9%
Banamex	13.6%	16.7%	15.0%
Santander	11.3%	9.9%	10.3%
Banorte	11.0%	10.6%	11.3%

HSBC	8.5%	7.6%	7.7%
Scotiabank Inverlat	4.9%	4.8%	4.8%
Total for six banks	74.8%	74.3%	78.0%

Source: CNBV (without subsidiaries). Market share includes not only commercial banks but also limited-purpose financial institutions (Sofoles).

Stockholders' equity

As of December 31, 2010, we ranked second among commercial banks in Mexico in terms of stockholders' equity. BBVA Bancomer maintains a strong solvency position, despite dividend payout, increasing equity through recurrent income and organic capital generation. Our level of capital allow us to absorb the credit demand and have the capacity to almost double the size of the balances; penetrate segments of less credit access in the country and make recurrent investments on technology and infrastructure.

The following table sets forth the level of stockholders' equity for the six largest private-sector banks in Mexico (measured by stockholders' equity) as of December 31 in each of the last three years.

	Stockholders' Equity As of December 31,		
	2008	2009	2010
	(millions pesos, as of December 31, 2009)		
Banamex	Ps. 111,073	Ps. 132,237	Ps. 132,349
BBVA Bancomer	80,533	97,893	108,582
Santander	67,912	71,059	79,234
Banorte	35,129	40,339	44,306
HSBC	28,831	39,495	38,215
Scotiabank Inverlat	25,384	25,058	27,563
Total for six banks	Ps. 348,750	Ps. 405,967	Ps. 430,249

Source: CNBV (without subsidiaries)

Properties

We are domiciled in Mexico and own our headquarters is located at Avenida Universidad No. 1200, Colonia Xoco, Mexico City, Mexico 03339. As of December 31, 2010, we owned 510 of the properties where 1,809 of our full-service branches are located. We lease the remainder of our branches from unaffiliated third parties. We believe that our facilities are adequate for their intended purposes. In 2008, we carried out the sale of BBVA Bancomer's main properties, including our headquarters. During the same period, we purchased two plots of land intended for our new corporate headquarters. The corporate building will be located in the financial center of Mexico City, in *Paseo de la Reforma*, and the operative building will be nearby in *Parques Polanco*. We will fund the total investment of approximately U.S.$900 million for these two buildings. This investment will be disbursed over the next three years and we expect to complete the construction of the buildings by 2013.

We also own approximately 5,500 square-meter building in Monterrey, Mexico, which houses our back-up computer facilities. The facility provides computer services to our branches and operational centers in more than 500 regions in Mexico. Our communication network is the largest in Mexico and Latin America.

Employees

The following table shows the breakdown of our full-time, permanent employees at the dates indicated:

	As of December 31,		
	2008	2008	2010
BBVA Bancomer	27,092	26,568	27,114
Overseas branches and representative offices	30	30	29
Subsidiaries	0	0	0
Total	27,122	26,598	27,143

As of December 31, 2009, we had 27,114 employees of which approximately 42% were unionized. All management positions are held by non-unionized employees. We are party to a single collective bargaining agreement. The collective bargaining agreement was signed on January 2011 and expires on January 1st, 2012. We consider relations with our employees to be satisfactory.

We have a comprehensive personnel training and development program that includes internal courses on operational, technical and commercial subjects, as well as participation in external seminars.

As required by Mexican law, we must make severance payments to employees laid off under certain circumstances, as well as seniority premiums in cases of employees who have worked with us for at least 15 years and decided to terminate their employment with BBVA Bancomer. In addition, we offer pension funds to retired employees based on seniority, including life and disability insurance for all those who qualify for this benefit. All of our employees have the right to receive a productivity bonus. The benefits that we grant our employees include benefits and incentive programs in addition to those established by Mexican labor laws.

Under the terms of our employment agreements, we are required to make certain post-retirement payments to our employees and their dependents. In accordance with Mexican Banking GAAP, since January 1, 2005, we are required to include these payments as an additional liability that must be reflected on our balance sheet. We are permitted to record the additional liability stemming from these payments as a one-time charge to our income statement, or we may amortize the effect of these payments on a straight-line basis over the expected remaining period that our employees will be under employment. We do not expect the application of this new Mexican Banking GAAP criterion to have an adverse effect on our financial condition or results of operations.

On December 6, 2006, we entered into an employer substitution agreement (*contrato de sustitución patronal*) with BBVA Bancomer Operadora, S.A. de C.V. (formerly GFB Servicios, S.A. de C.V.), or Operadora, a subsidiary of GFBB pursuant to which, as of January 1, 2007, all of our employees (except for our Chief Executive Officer) were transferred to Operadora's payroll. The transfer was made in order to give GFBB the flexibility to deploy personnel into its different business units without the need to change employers. All employees' salaries and benefits are paid by Operadora. We pay an amount equal to all employees' salaries and benefits plus a commission to Operadora as a service fee. All of our former employees continue to enjoy their former benefits and seniority. As a result of this transfer, all of our former employees are now part of a performance-based compensation program.

In order to effect this transfer, we funded Operadora to cover the transfer of our former employees' pension liabilities and, accordingly, we took a charge of Ps.2,607 million to our 2006 results, net of deferred income taxes. See note 21 to our audited financial statements included elsewhere in this offering memorandum.

Legal Proceedings

Deposit account cases

We have faced a number of lawsuits from depositors who held deposit accounts with one of our predecessor entities from 1979 through 1992, the period during which these entities were owned by the Mexican government. The plaintiff in each lawsuit has claimed that under the terms of the deposit agreement then in effect, we are required to pay the rate of interest (generally in excess of 95%) specified in such deposit agreement indefinitely, regardless of subsequent decreases in market interest rates.

In March of 2010, the Mexican Supreme Court issued rulings in three areas which will be applicable to the lawsuits described in the preceeding paragraph. First, high interest rates agreed during a period of high inflation are only applicable to the period originally agreed by the parties. Banco de Mexico will fix the applicable interest rate for any extension. Second, interests may only be capitalized if there is an express agreement between the parties. Third, unclaimed interests will prescribe ten years after they accrue. Based on the application of the foregoing the amount of these contingencies has been substantially reduced.

Other litigation

There are no relevant ongoing legal, administrative or arbitral proceedings other than those that are part of the normal course of our business, including those related to liquidation or bankruptcy proceedings, in which we, our subsidiaries or shareholders, directors and senior officials, are or could be involved, which could have or has had a significant impact on the outcome of our operations.

There are no legal, administrative or arbitral proceedings with contingencies amounting to more than 10% of the total assets of the Bank.

RISK MANAGEMENT

General

Our risk exposures consist of credit, liquidity, operational (including legal) and market risks. Credit risk is defined as the potential loss caused by the partial or total failure of a counterparty or issuer to perform on an obligation to us. Credit risk can affect the performance of both the loan portfolio and the investment portfolio. Liquidity risk encompasses funding liquidity risk, which refers to the inability to renew liabilities or acquire new ones at normal market conditions, and market liquidity risk, which refers to the inability to unwind or offset positions due to a lack of market depth, thereby affecting the value of an asset. Operational risk is the potential loss caused by failures or deficiencies in information systems, internal controls or errors while processing transactions. Market risk is the potential loss due to adverse changes in market prices of financial instruments as a result of movements in interest rates, foreign exchange rates and equity prices, and the adverse effect on our traditional banking activities of interest rate and foreign exchange rate fluctuations. We consider risk management an essential activity that requires improvement and adjustment according to our operations.

Mexican financial authorities have formulated rigorous risk management regulations for the banking sector. The CNBV has issued a set of requirements regarding risk management practices for all banking institutions in Mexico. The regulations require that banks have adequate policies and procedures in place to manage credit, liquidity, technological, market, operational and legal risk. This management process must include sound measurement and monitoring methods, as well as the establishment of risk limits. The regulations also require the establishment of a risk committee and a risk management unit. We have implemented and continue to update our program that fully complies with the CNBV requirements and goes beyond them with respect to many issues.

Risk Management Organizational Structure

Our risk management activities have traditionally been delegated to a risk committee and a risk management unit. Our risk committee, composed of senior officers, currently (1) decides on the strategies and policies related to mitigating financial risks, including the setting of risk limits; (2) evaluates the risk-return ratio; (3) analyzes catastrophic events scenarios and stress testing (4) defines and monitors the general strategy for the asset and liability ratio; (5) defines our general pricing processes and monitors its effects, and (6) analyzes the impact of new products on the asset and liability ratio. Our board of directors ratifies the strategies and limits set by our risk committee. Our risk committee meets on a weekly basis or more frequently, if needed. The risk management unit identifies and measures the quantifiable risk of all our operations.

Credit Risk

Credit policies and procedures

Credit risk management is an essential activity for banks. Our credit policies and procedures are designed to centralize credit decisions so as to increase uniform application of credit criteria and minimize the risks associated with individual decision-making. Our credit policies and procedures include quantitative criteria to ensure and surpass certain credit quality standards.

Our board of directors determines the general credit policies for each of our different business areas. Various credit committees that have been specifically set up to centralize and implement our credit approval policies carry out these policies. Credit committees are responsible for credit approval decisions and define the appropriate approval level depending on the risk level.

Credit risk quantification

We have an integrated bank-wide risk assessment system that provides us with sophisticated risk measurement tools and risk management practices. We use the following two measures for this purpose:

- Expected loss represents the 12-month average loss rate expected for a portfolio based on its current credit quality. Expected loss is determined by using a credit score, rating or behavior score depending on the customer's profile to reflect the expected default frequency of a borrower and the expected loss given a default on any particular operation; this measure is accounted as a cost by us by creating a reserve. As of December 31, 2010, total allowance for loan losses represented an amount of Ps.$25,128 million equivalent to U.S.$2,035 million.

- Unexpected loss represents the uncertainty that actual losses will, in fact, differ from expected loss as it measures the impact of external events that may affect the likelihood of a customer's payment and helps us to determine how much economic capital we need to maintain a satisfactory investment grade for our shareholders.

Credit analysis and pricing

Account officers are trained and responsible for assigning risk ratings based on an eight-step scale. These ratings are used as part of the loan application process. The ratings are assigned subjectively, depending on the overall credit exposure rather than the default risk of an individual loan, and are based on macro-economic conditions, current capacity to pay and projected payment capacity. Account officers are responsible for weighting the different factors to produce an overall score. The ratings are updated as the risk is perceived to change, and are reviewed every three months. An account officer's analysis of a loan application is accompanied by a summary of the major sources of risk. With respect to commercial credit, there are seven authorization instances according to the amount of the credit required, as shown in the table below.

Middle-Market Division's Credit Authorization Instances

Committee	Maximum amount (millions of U.S.$)
Account Executive, co-responsible with Officer Manager	0.9
Division Manager	2.7
Middle-Market Banking Committee	5.7
Credit Risk Central Unit Committee (UCRC)	9.6
Central Credit Committee (CCC)	25.0
Operations Technical Committee (CTO)	30.0
Credit and Market Risk Committee (CCRM)	Greater than 30.0

The pricing of the loan is tied to our risk and operating costs. The pricing formula is based on the following factors: cost of funds (as priced by our finance division) based on general local market conditions, our yield model and market competition; commissions; operating costs; expected losses; required margins; adjustment for risk rating, and capitalization requirements.

Retail lending analysis

We perform credit analyses of all our retail borrowers. In the case of individual borrowers, the credit approval process is based primarily on an evaluation of the borrower's repayment capacity. A credit officer evaluates the information presented by the prospective borrower taking into consideration the following factors: (i) an automated scoring program (that considers the potential borrower's income, expenses and personal assets); (ii) the potential borrower's credit history; and (iii) our previous experience with the potential borrower. We have improved our systems for tracking the repayment of loans and credit card balances. Decisions on the granting of loans are taken at various levels and with varying degrees of involvement by directors and officers, depending on the size of the loan under consideration and the aggregate amount outstanding to the borrower.

Our credit evaluation procedures with respect to credit cards are based on a computerized credit scoring system. The credit scoring process centralizes the decision making process in regard to both the issuance of credit cards and the increases in credit lines. Centralization increases the level of control exercised in making such decisions. We have taken additional steps to improve the quality of our credit card assets, including raising the minimum gross monthly income requirement for credit card applicants and verifying the information contained in credit card applications more rigorously. We have access to on-line information about the credit history of our credit card customers that we use in our decision-making process, regarding increases or decreases in the credit line imposed on any particular customer. We had a contract with First Data Resources, Inc. to manage a credit card portfolio. This contract was terminated in 2009 due to the migration of this portfolio to our platform. We currently use the services of a Mexican credit bureau created jointly by us, other Mexican banks and a Mexican affiliate of TransUnion, a leading U.S. credit bureau to manage our credit card portfolio. We also have been working on the development of additional decision-making systems, aimed at verifying the reliability of the information obtained from our admission process.

Since 1996, we have reengineered our mortgage loan origination process by basing it on a computerized credit scoring system that centralizes the decision-making process. The credit process starts at the pre-qualification phase that serves as a filter prior to the process of approving the loan and there is where all required applicant information is reviewed to determine whether it meets the pre-qualification standards, including information about the applicant's credit history obtained through the credit bureau. Appraisal of the property is undertaken through a centralized appraisal unit. This division relies on independent, certified appraisers to perform property appraisals. The applicable credit committee reviews the applicant's file and the collateral file (including the appraisal) to determine the applicant's debt capacity and the authorized loan amount. Once the final decision is made, the credit contract is signed before a notary public, the deed is registered at the Public Registry, and the funds are disbursed to the applicant's checking account. Loan-to-value ratios are set according to the size of the loan with a maximum of 90%, which requires a minimum down payment of 10%. We only accept first mortgages on property.

Corporate and middle-market lending analysis

A potential corporate borrower's evaluation focuses primarily on the credit history and reputation of its owners and management, its production processes and facilities, its current and projected cash flows and the security offered for the loans. With respect to loans intended to finance a particular project, the evaluation focuses primarily on the experience of the borrower relating to such a type of project, the existence of a technological alliance, market conditions and the projected financial condition of the borrower. We assign a credit risk rating based on this analysis that helps identify the customer's risk profile.

Account officers are responsible for preparing proposals regarding corporate loan applications. Each loan application is then classified according to its industry sector and is then reviewed by the credit manager responsible for that particular sector to determine whether it merits further consideration. The credit manager, in turn, presents the proposal to a credit committee for approval. A credit manager's authority to approve a loan is capped at a maximum of U.S.$10 million (or its peso equivalent). A central credit committee comprised of executives in the risk management division reviews loan applications above that level.

Loan applications above U.S.$30 million (or its peso equivalent) must be presented by the responsible credit manager to our technical committee of operations that is comprised of the Chairman of our board of directors, the Chief Executive Officer, the Executive Vice President of Risk Management, the Director of Credit Risk and the Executive Vice President of the applicable business unit.

In addition to our internal limits on lending, we are subject to certain legal lending limits. For a discussion of these regulatory requirements, see "Supervision and Regulation—Lending Limits."

In middle-market lending, the credit business is divided into divisional sub-groups representing broad geographical sectors. The divisions are made up of regional offices. Each regional office has clusters of account officers. The regional directors and credit directors report to the divisional heads who, in turn, report to the business division director. Credit decisions are made in conjunction with credit consultants belonging to the credit administration group. Corporate lending is organized in four broad sectors: industrial and commercial, communications and services, finance, and manufacturing. The corporate lending group has regional offices in Mexico City, Guadalajara and Monterrey.

Monitoring

We operate a compliance center to monitor our borrower's compliance with the term of loans. The compliance center monitors the dates and payments of the loans, the conditions and covenants of the loans and any authorized exceptions to standard procedures. The compliance center also operates an early warning default system. The monitoring process includes verification of the use of proceeds and contractual conditions, financial analysis of the borrower and guarantors, on-site visits to the borrower's place of business, confirmation of credit bureau information and analysis of the economic environment, among others.

Pursuant to the rules governing lending activities under the General Rules for Banks that became effective on January 1, 2006, Mexican banks must implement certain measures relating to lending controls including activities relating to loan promotion, evaluation, approval, documentation, management control and collection. We have implemented these measures with the approval of the CNBV.

Derivative financial instruments

Credit exposure from derivative financial instruments arises from the risk that customers or counterparties will default on their obligations to us. To reduce this risk, each customer or counterparty engaged in these transactions must have either a trading line of credit, which takes into account the trading risk for each customer or counterparty, or a collateral deposit. The amount of risk implied in derivative financial instrument transactions, measured as the potential credit exposure, is added to the total risk authorized for a specific customer and must be authorized by a credit committee. To quantify the amount of line of credit utilized by a specific customer or counterparty in a derivative financial instrument transaction, our risk management unit calculates, by the use of statistics and volatility levels, the maximum expected credit exposure within a pre-defined confidence level. This amount is the potential credit exposure and corresponds to an amount that must be blocked out of the customers' or counterparties' line of credit. Lines of credit are monitored during the day by a support area of our risk management unit and by our risk management unit at the end of each day.

Liquidity Risk

Liquidity risk is related to the inability to meet efficiently both expected and unexpected current and future cash flows without affecting either our daily operations or our financial condition. The purpose of managing liquidity risk is to minimize the cost of funds through adequate coverage of liquidity needs that arise in either the ordinary course of business or from unforeseen events.

Our treasury unit is responsible for maintaining adequate short-term liquidity levels in pesos and U.S. dollars. Our Asset and Liability Committee, or ALCO, is responsible for maintaining adequate long-term liquidity levels in pesos and U.S. dollars. Our principal sources of peso funding are customer deposits, which are highly concentrated in checking accounts (non-interest and interest-bearing) and short-term Notes with interest due at maturity. Our main sources of U.S. dollar funding are checking accounts (non-interest and interest-bearing), time deposits and foreign exchange derivatives.

Liquidity risk is analyzed by a time horizon (short- and long-term), by concentration of funding and by uses and sources of funding under normal and extreme conditions. Liquidity risk is monitored through a limit scheme for quantitative and qualitative indicators where, if necessary, a contingency plan is implemented for immediate corrective actions.

Operational Risk

Operational risk is risk that cannot be classified as credit risk, market risk or technical or biometric risk. We measure and endeavor to control operational risk through our operational risk management unit.

Our operational risk management unit reports to a risk executive officer who is responsible for establishing and implementing methodologies and procedures to identify, measure, valuate and mitigate operational risk throughout the Bank. Because operational risk mitigation is a part of every process, the responsibility of its management is assigned to each process owner or manager in the Bank who has designated a member of his staff as operational risk manager, each of these managers works as delegate of the operational risk management unit.

We use EvRO, TransVaR, and SIRO tools to manage operational risk, each of which was developed in-house and is a proprietary trademark. EvRO is a qualitative management tool that identifies and evaluates operational risk factors and helps us to establish and prioritize mitigating measures. TransVaR is a collection of a key risk indicators that are customized for each process and that provide information about the level and kind of operational risk exposure in it. SIRO is a database of historic losses suffered by us as a consequence of operational risk events that are classified by risk class and loss type, business unit, account, among other criteria.

Operational risk for regulatory capital is currently being calculated under a Basel II basic approach for the branches subject to regulatory requirements. Operational risk for economic capital is calculated under a Basel II advanced approach with a diversification of the allocation of economic capital for each business unit. Calculations under the Basel II Advanced Measurement Approaches (AMA) have been estimated using data as of the end of July 2009 to June 2010, and will be recalculated each year using data as of the end of June.

Market Risk

Our exposure to market risk arises from trading and investment in financial instruments, where interest rates, foreign exchange rates (mainly the peso/U.S. dollar exchange rate) and stock prices are the most important sources of market risks, and from traditional banking services such as deposit taking and lending where the balance sheet is exposed to interest-rate risk and foreign-exchange risk.

Treasury and trading positions are evaluated on a daily basis for market risk using Value at Risk methodology. In addition, daily information regarding risk versus limits, scenario analysis and stress tests is produced.

Our risk management unit uses a historical simulation model to calculate Value at Risk. Equally weighted historical simulation is used as the central measure, against which limits are compared. Historical simulation with Exponentially Weighted Moving Average or EWMA is used as a complement to have more sensitivity of risk as this model responds faster to changes in volatility and correlation levels. The effect of portfolio diversification is measured within each model.

Historical data of market parameters such as interest rate curves, foreign exchange prices, volatilities and stock indexes for the last two years is available for Value at Risk calculations. "Unwind Period Value at Risk" looks to reflect market liquidity risk, calculating the number of days it will take to unwind a position without affecting the market. In making these calculations, market outstanding amounts and trade volume information is compared against current exposures, updating the information periodically for internal use.

The information presented below corresponds to our positions as of December 31, 2010. Daily Value at Risk is calculated with a 99% confidence level. Value at Risk is calculated to represent the maximum loss at the confidence level due to changes in market values of trading positions. The information below does not include securities that are no longer traded, recorded as for sale, or as held to maturity, or that are highly illiquid or in workout. During the last three months of 2010, daily Value at Risk did not exceed Ps.178 million (approximately U.S.$14.4 million). The daily consolidated Value at Risk limit is Ps.327 million. Limits are reviewed periodically.

The following table sets forth the average, maximum and minimum values of the daily Value at Risk during the last three months of 2010, as well as the daily limits in effect as of December 31, 2010, as it was the last business day of the year.

	Three months ended December 31, 2010			
	Average	Maximum	Minimum	Actual limit as of December 31, 2010
			(millions of Ps.)	
Equities	55	70	37	76
Interest rate	104	154	65	317
Foreign exchange	8	26	2	90
Vega EQ	13	20	11	20
Vega FX	4	9	2	34
Vega IR	12	23	10	39
Total	123	178	91	327

Stress testing is used to complement the Value at Risk methodology. Stress testing involves the creation of scenarios based on infrequent or catastrophic events to evaluate contingencies, and is of particular importance in periods of highly volatile or illiquid markets. The sensitivity analysis we conduct shows the effect on positions caused by predetermined changes in market variables (a 1% increase in interest rates).

In addition, we have a stop-loss process that issues a warning if losses reach a certain level preset by our board of directors. If a stop-loss warning is issued, the ALCO is convened to establish an action plan.

ALCO monitors our Basis Point Value ("BPV"), and Net Interest Income ("NII"), exposures and positions. We seek to manage our assets and liabilities to reduce any potential adverse impact on our results of operations and economic value that might result from changes in interest rates. Risk control of interest rates is conducted through systematic monitoring of limit exposure. Particularly, we have established sensitivity limits for BPV and expected NII for the following 12 months, as well as for economic capital, which is the maximum expected loss in net economic value with a 99% confidence level over a three-month period. In addition, we established a limit for Earnings at Risk, considering the maximum expected loss in NII with a 90% confidence level for the following 12 months.

The primary methods used to estimate the interest rate risk of the balance sheet portfolio are as follows:

- parallel and non-parallel scenario analysis (including stress scenarios); and
- interest rate simulation.

Non-maturity products are characterized according to their economic durations and to their market rate sensitivity. Additionally, for the characterization of the checking accounts and savings deposits, we use a stability model authorized in 2006 by the CNBV.

Our non-peso lending activities are generally priced based on LIBOR, with re-pricing intervals of one, three or six months depending on our funding opportunities. Spreads over the LIBOR reference rate are managed in accordance with our marginal cost of funding in currencies other than pesos.

MANAGEMENT

Board of Directors

Pursuant to Mexican Banking Law, the board of directors of the largest Mexican banks must be composed of a minimum of five and a maximum of 15 directors, of whom, at least 25% must be independent. There must be an alternate director appointed for each director. Independent directors shall also have independent alternates. No more than a third of the board members may be employees of the relevant bank.

On August 12, 2010 our shareholders voted to elect the members of our board of directors. Our board of directors meets at least every three months and is chaired by Ignacio Deschamps González, who is also the Chairman of the board of directors of GFBB.

The following are our current directors and their alternates:

Name and position	Principal activity	Years on our board of directors	Age
Chairman			
Ignacio Deschamps González	Chairman of GFBB	3	48
Vice Chairman			
Luis Robles Miaja	Senior Officer of BBVA Bancomer	3	50
Secretary			
José Fernando Pío Díaz Castañares	Legal Officer of BBVA Bancomer	3	48
Alternate Secretary			
Pablo Enrique Mendoza Martell	Legal Officer of BBVA Bancomer	3	62
Directors			
Fernando Gerardo Chico Pardo*	Chairman of Grupo Aeroportuario Del Sureste S.A.B. de C.V.	1	59
Gastón Azcárraga Andrade*	Chairman of Grupo Posadas S.A. de C.V.	5	54
Alberto Bailleres González	Chairman of Industrias Peñoles S.A. de C.V. and of El Palacio de Hierro S.A. de C.V.	18	79
Alejandro Burillo Azcárraga*	Chairman of Grupo Pegaso	5	59
Pablo Escandón Cusi*	Chairman and CEO of Nadro S.A. de C.V.	4	67
José Antonio Fernández Carvajal	CEO of Fomento Económico Mexicano, S.A.B. de C.V.	18	57
Bárbara Garza Lagüera Gonda	Board Member and Shareholder of Coca- Cola FEMSA, S.A.B. de C.V.	18	51
Francisco González Rodríguez	Chairman of BBVA	9	65
Ricardo Guajardo Touché	Chairman of Audit Committee of GFBB	18	62
José Francisco Gil Díaz	Executive Chairman of Telefonica Mexico, in Central America and Mexico	0	67
Alternates			
Cuauhtémoc Pérez Román*	Chairman and CEO of Grupo Urbi	5	59
Jaime Serra Puche*	Partner of SAI Consultores	3	60
Arturo Manuel Fernández Pérez	President of ITAM	9	57
José Fernando de Almansa y Moreno-Barreda*	Board Member of Telefónica, S.A.	7	61
Andrés Alejandro Aymes Blanchet*	Partner of Aymes y Asociados Consultoría en Eficiencia	9	70
Carlos Salazar Lomelín	CEO of Coca- Cola FEMSA, S.A.B. de C.V.	5	59
Manuel Castro Aladro	Senior Officer of BBVA	1	43
Ángel Cano Fernández	Vice Chairman of BBVA	1	49
Vitalino Manuel Nafría Aznar*	Senior Officer of BBVA (Retired)	3	59

* Independent directors

Examiners

The examiners of the Bank must be residents of Mexico. The duties of the examiners include monitoring and supervising our operations, books and records. The examiners must comply with obligations imposed by law and internal statute and must meet the following requirements:

- technical capacity;
- knowledge and experience in accounting, financial, legal or administrative matters;
- credit history or credit satisfactory eligibility;
- honorability; and
- absence of any legal impediment to the performance of their duties (such as conflict of interest).

Because of the relationship between the examiners and the Bank, the examiners are bound by confidentiality obligations. They may attend the board of directors' and shareholders' meetings without voting rights.

Although some of the functions of the examiner and the external auditor are similar, their responsibilities differ. To avoid conflicts of interest, examiners cannot sign the audit opinion on our annual financial statements. However, examiners and auditors could work for the same firm.

Board Activities

The main functions of our board of directors are:

- manage and represent the company, to fulfill its corporate purposes;
- appoint and dismiss chief executives, including the CEO, officers, agents, employees and external auditors of the Executive Officers Committee;
- create committees and commissions as it deems necessary, pointing out their structure, organization and authority, granting them the necessary powers to carry out the business as the board may determine, and
- summon the ordinary and extraordinary shareholders' meetings.

Credit and market risk committee

Our credit and market risk committee is responsible for:

- approving credit operations that involve more than U.S.$30 million, or its equivalent in national and other currencies;
- approving credit and market risk management policies (excluding policies that must be approved by our board of directors);
- overseeing the development of our loan portfolio; and
- addressing certain special issues referred to it by our board of directors.

The current members of our credit and market risk committee are Luis Robles Miaja (Chairman), Andrés Alejandro Aymes Blanchet and Ignacio Deschamps González.

Audit committee

Our audit committee performs the following functions:

- *Internal Controls*. Our audit committee reviews and submits internal control procedures and policies to our board of directors for approval, analyzes and approves operations manuals and evaluates our internal control system, reporting its findings and recommendations to our board of directors.

- *Code of Ethics*. Our audit committee analyzes amendments to our code of ethics and submits its recommendations to our board of directors for its approval.

- *Financial Information*. Our audit committee makes recommendations to our board of directors concerning the preparation of our financial information to ensure it is useful, adequate and reliable. The committee also reviews our financial statements, on a quarterly and annual basis, before they are presented to our board of directors and reviews the relevant changes in accounting principles to ensure our financial statements comply with them.

- *Compliance*. Our audit committee reviews and approves the annual program of our compliance unit before it is presented to our board of directors, and the committee verifies our compliance with the program.

- *Anti-Money Laundering and Anti-Funding to Terrorism.* Our audit committee examines and approves annually the working plan about this matter. Each semester the committee evaluates the fulfillment of this plan and its outcomes.

- *Internal Auditing*. Our audit committee evaluates and makes recommendations to our board of directors concerning the appointment of the head of our internal audit unit, reviews and approves our yearly auditing plan, supervises and evaluates the independence, quality and effectiveness of our internal auditing department, facilitates communication between our board of directors and our auditors, oversees training of internal auditors and oversees the implementation of corrective measures taken based on the recommendations from the audit committee.

- *External Auditing*. Our audit committee submits external auditing candidates to our board of directors for its approval, verifies that we rotate external auditors every five years, evaluates the independence of the external auditor, ensures that the external auditing program is based on contractual agreements and reviews the external auditor's reports before they are presented to our board of directors.

- *External Supervision*. Our audit committee reviews the results of any inspections by external supervisory bodies and oversees our compliance with their recommendations.

- *Systems*. The audit committee is informed about the incidents that occur in systems and services provided to users through electronic media (i.e., e-mail and websites), to ensure that measures are taken to prevent or avoid them in the future.

- *Outsourcing Operations*. The audit committee is informed of the performance of contracted services to third parties, as well as of compliance with applicable regulations relating to such services, to ensure that appropriate mechanisms are followed to manage, control and protect information created, received, transmitted, processed or stored in the technological infrastructure, telecommunications or information processing services that are performed by such third parties.

- *Credit Risk.* The audit committee is provided with quarterly reports on the deviations detected with respect to objectives, guidelines, policies, procedures, strategy and current regulations concerning credit.

- *Derivative Operations.* Each year the audit committee is informed and informs the Board of Directors of the results of the annual evaluation about the compliance with the requirements imposed by Banco de Mexico on our derivative operations, including approval by our Board of Directors of our procedures, products and risk limits, qualification of our personnel and sufficiency of our infrastructure and internal controls related to our derivative operations.

- *Remuneration System*. Each year the audit committee must inform to the Board of Directors about the compliance, procedures and success of the remuneration system.

The current members of our audit committee are Ricardo Guajardo Touché (Chairman), Gastón Azcárraga Andrade, Pablo Escandón Cusi, and the alternate members are Andrés Alejandro Aymes Blanchet, Manuel Castro Aladro and Vitalino Manuel Nafría Aznar.

Executive committee

Our executive committee is responsible for:

- working on special and urgent matters of competence of the board of directors that cannot be considered by the entire board of directors given time limitations or other limiting factors. The resolutions of the executive committee must be ratified by the board of directors;

- being knowledgeable about any matter that the Chairman or the Chief Financial Officer submits to the committee;

- convening special meetings of the board of directors; and

- resolving any matter expressly delegated by the board of directors.

The current members of the executive committee are Ignacio Deschamps González, Alberto Bailleres González, José Antonio Fernández Carbajal, Ricardo Guajardo Touché and Luis Robles Miaja.

Executive Officers

All of our executive officers are appointed by our Chief Executive Officer and ratified by our board of directors. As of January 1, 2007, our executive officers, other than our Chief Executive Officer, are employed by Operadora. See "The Bank—Employees."

The following are our executive officers, recently aprobed in January 2011:

Name	Position	Years serving as our executive officers	Age
Ignacio Deschamps González	Chairman of the Board and Chief Executive Officer	17	48
Luis Robles Miaja	General Director—Communication and Institutional Relations	17	50
Ramón Arroyo Ramos..	General Director—Human Resources	31	52
Eduardo Ávila Zaragoza...	General Director—Finance	18	43
Alfredo Castillo Triguero	General Director—Risk Management and Workout	36	53
José Fernando Pío Díaz Castañares	General Director—Legal Counsel	17	48
Gerardo Flores Hinojosa	General Director—Middle-Market and Government Banking	20	47
Gustavo Garmendia Reyes	General Director—Auditing	17	47
Eduardo Osuna Osuna	General Director—Mortgage Banking	16	41
Héctor Paniagua Patiño	General Director—UCC	12	43
David Powell Finneran	General Director—Global Clients Mexico	18	49
José Antonio Ordás Porras	General Director—Global Markets	6	45
Sergio Salvador Sánchez	General Director—Systems and Operations	12	47
Agustín Eugenio Mendoza López……………………..	Director----Knowledge of Client	20	52

RELATED PARTY TRANSACTIONS

Loans to Related Parties

Pursuant to Mexican Banking Law, no loans may be made to any bank officers or employees, except in connection with certain employment benefits. As permitted by Mexican Banking Law, we currently provide loans to our employees at favorable rates.

Article 73 of the Mexican Banking Law regulates and limits our loans and other transactions pursuant to which related parties may become a creditor of a bank, including securities and derivatives, to related parties, including loans to (1) holders of 2% or more of GFBB's or its subsidiaries shares, (2) principal and alternate board members of GFBB, any of its subsidiaries or us, (3) relatives of a board member or of a 2% or more shareholder of GFBB or us, (4) any person not an officer or employee of GFBB or us who, nevertheless, is empowered to bind contractually GFBB or us, (5) any corporation who has a director or officer in common with GFBB or us or (6) a corporation in which GFBB's external auditors, our employees, holders of 2% or more of GFBB's shares, 2% or more of or our shares, or we or any director or officer of GFBB or us holds 10% or more of the outstanding capital stock. The majority of our board of directors must approve such loans. Before approval, however, the loan must undergo our customary review procedures for loans, which will vary depending on the nature and amount of the loan, except that such loans must always be reviewed and recommended by the highest loan review committee at the management level, and must be recommended by a special committee of directors responsible for reviewing our largest loans and all loans falling within the scope of Article 73 of the Mexican Banking Law. In addition, certain filings must be made with the CNBV with respect to such loans. Loans to individuals in amounts less than the greater of (1) two million UDIs or (2) 1% of a bank's Tier 1 net capital (approximately Ps. 1,136 million at December 31, 2010, in our case), are exempt from such provisions. Loans to related parties may not exceed 50% of a bank's Tier 1 Capital. The CNBV may, upon request, grant exemptions from these provisions.

The Ministry of Finance and Public Credit has adopted rules which exclude from the category of loans to related parties loans granted to the Mexican government, loans to companies that provide ancillary services to us, provided that in each of these cases such entities do not make a loan to a related party, and loans to our directors or directors of GFBB if they fall within the minimum thresholds set forth above. These loans are not considered for purposes of determining the 50% of Tier 1 Capital limit of our loan portfolio that may consist of loans to related parties, and do not require the prior approval of our board of directors.

As of December 31, 2010, our loans to related parties under Article 73 of the Mexican Banking Law totaled approximately Ps.28,369 million, which comprised 4.8% of our total loan portfolio at such date. Of the Ps.28,369 million, approximately Ps.21,604 million were loans made to GFBB and its subsidiaries and approximately Ps.6,765 million were loans made to borrowers affiliated with members of our board of directors. Our loans to related parties are made on terms and conditions comparable to other loans of like quality and risk. Of all the related party loans outstanding on December 31, 2010, approximately 64.7% were graded "A," 34.7% "B" and 0.6% "E" under the regulations of the CNBV. The majority of such credits are loans for either commercial or industrial activities.

Affiliate Transactions

From time to time we enter into agreements, including service agreements, with our affiliates. We have entered into service agreements with our affiliates, including with (1) Servicios Corporativos Bancomer, S.A. de C.V. for the sale of certain banking products, (2) Seguros BBVA Bancomer, S.A. de C.V. for the sale of insurance policies, (3) Casa de Bolsa BBVA Bancomer, S.A. de C.V. for brokerage services and (4) Hipotecaria Nacional for the servicing of mortgage loans.

Based on these service agreements, we receive fees on a cost basis from Seguros BBVA Bancomer, S.A. de C.V., and pay fees on a cost basis to Servicios Corporativos Bancomer, S.A. de C.V., Casa de Bolsa BBVA Bancomer, S.A. de C.V. and Hipotecaria Nacional. No assurance can be given that transactions between us, on the one hand, and GFBB and our affiliates (including BBVA), on the other hand, have been or will in the future be conducted on a basis as favorable to us as could be obtained by us from unaffiliated parties. Future conflicts of interest between us, on the one hand, and GFBB and our affiliates (including BBVA), on the other hand, are likely to develop, which conflicts are not required to be and may not be resolved in our favor.

All of our transactions among our subsidiaries are carried out accordingly to market conditions.

THE MEXICAN FINANCIAL INDUSTRY

General

Mexico's financial industry is currently comprised of commercial banks, national development banks, broker-dealers, development trust funds and other non-bank institutions, such as insurance and reinsurance companies, bonding companies, credit unions, savings and loans companies, foreign exchange houses, factoring companies, bonded warehouses, financial leasing companies, mutual fund companies, pension fund management companies and limited purpose financial institutions. In 1990, Mexico adopted the Financial Groups Law (*Ley para Regular las Agrupaciones Financieras*) aimed at achieving the benefits of universal banking, which permits a number of financial services companies to operate as a single financial services holding company. Most major Mexican financial institutions are members of financial groups.

The principal financial authorities that regulate financial institutions are the Ministry of Finance and Public Credit, Banco de México, the CNBV, the National Commission for Retirement Savings (*Comisión Nacional del Sistema de Ahorro para el Retiro*), or CONSAR, the National Insurance and Bonding Commission (*Comisión Nacional de Seguros y Fianzas*), or the CNSF, the IPAB, and the National Commission for the Defense of Financial Service Users (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*), or CONDUSEF.

Trend toward multi-purpose banking institutions

Prior to 1978, the Mexican banking system was comprised primarily of specialized institutions, which were authorized to conduct specified financial activities pursuant to concessions granted by the Mexican government. Institutions other than multi-purpose banking institutions were not permitted to engage in more than two of the specified activities. During the period from 1978 to the nationalization of commercial banks in 1982, the structure of the Mexican banking system evolved towards the creation of multi-purpose banking institutions, which were allowed to engage in the full range of banking activities.

Nationalization and subsequent privatization

In September 1982, Mexico's president decreed the nationalization of private Mexican commercial banks. Effective November 18, 1982, a constitutional amendment was adopted to implement the nationalization, which granted the Mexican government a monopoly on banking and credit service. The number of banking institutions was reduced from 68 to 29 in the first two years of nationalized banking. By 1988, the number had been further reduced to 18, of which six had national coverage, five were regional banks and seven were multi-regional banks. Only two banks, Banco Obrero, S.A. and Citibank N.A., were excluded from the nationalization and continued limited operations as privately-owned commercial banks.

Effective June 28, 1990, the Mexican Constitution was amended to permit Mexican individuals and financial services holding companies to own controlling interests in the then-existing 18 Mexican commercial banks owned by the Mexican government. Subsequently, a new Banking Law was enacted to regulate the ownership and operation of Mexican commercial banks, national development banks and foreign financial institutions. Pursuant to the Banking Law, Mexico began the process of privatizing commercial banks. By the third quarter of 1992, the Mexican government had privatized all 18 state-owned commercial banks. Since that time, new commercial banks, have been chartered and regulations regarding investment in the banking sector by foreign investors have been relaxed.

Financial groups

The enactment of the Financial Groups Law in 1990 permitted the development of the universal banking model in Mexico. By July 1992, most major Mexican financial institutions had become part of financial groups controlled by a financial services holding company, such as ourselves, and made up of a number of financial operating entities. The operations of financial services holding companies are generally restricted to holding shares representing the capital stock of financial operating subsidiaries. Such subsidiaries may include Mexican banks, broker-dealers, insurance companies, bonding companies, mutual fund operators, mutual funds, auxiliary credit organizations (such as factoring, financial leasing and bond-warehousing companies), non-bank banks foreign exchange service providers and retirement fund administrators. As a general rule, a financial services holding company must maintain a majority participation and effective control of at least two major financial intermediaries (banks, broker-dealers or insurance companies), or three financial intermediaries in general.

The Financial Groups Law permits entities controlled by the same financial services holding company:

- to act jointly before the public, offer services that are supplemental to the services provided by the other and hold themselves out as part of the same group;
- use similar corporate names; and
- conduct their activities in the offices and branches of other entities as part of the same group. In addition, the Financial Groups Law requires that each financial services holding company, such as ourselves, enter into an agreement with each of its financial services subsidiaries pursuant to which the holding company is responsible secondarily and without limitation for the satisfaction of the obligations incurred by its subsidiaries as a result of the activities that each such subsidiary is authorized to conduct under the applicable laws and regulations, and is fully responsible for certain losses of its subsidiaries, up to the total amount of the holding company's assets. For such purposes, a subsidiary is deemed to have losses if:
- its stockholders' equity represents an amount that is less than the amount the subsidiary is required to have as minimum paid-in capital under applicable law;
- capital and reserves are less than the subsidiary is required to have under applicable law; or
- in the judgment of the regulatory commission supervising the subsidiary's activities, the subsidiary is insolvent and cannot fulfill its obligations. No subsidiary of any such holding company is responsible for the losses of the holding company or any other subsidiary thereof. We have entered into such an agreement, as described under "Supervision and Regulation—Financial Groups Statutory Responsibility."

The banking sector

Banking activities in Mexico have been and continue to be affected by prevailing conditions in the Mexican economy, and the demand for and supply of banking services have been vulnerable to economic downturns and changes in government policies. Prior to the early 1990s, lending by Mexican banks to the private sector had fallen to very low levels. It is estimated, however, that by the end of 1994 average total indebtedness of the private sector to Mexican commercial banks had grown to represent approximately 40.7% of Mexican GDP, with mortgage loans and credit card indebtedness generally growing faster than commercial loans. The devaluation of the Mexican peso in December 1994 initiated a crisis, and the resulting high interest rates and contraction of the Mexican economy in 1995 severely impacted most borrowers' ability to both repay loans when due and meet debt service requirements. These effects, among others, caused an increase in the non-performing loan portfolio of Mexican financial institutions, particularly during 1995, which adversely affected the capitalization level of financial institutions. Also, increased domestic interest rates and the deteriorating value of the peso made it more difficult for financial institutions to renew dollar-denominated certificates of deposit and credit lines.

From 1995 through the end of 1997, the CNBV had assumed, or intervened in, the operations of 13 banks and had adopted several measures designed to protect, stabilize and strengthen the Mexican banking sector. These measures included:

- creating a temporary capitalization program to assist banks;

- establishing a foreign exchange credit facility with Banco de México to help banks with dollar liquidity problems;

- increasing the level of required loan loss reserves;

- establishing a temporary program for the reduction of interest rates on certain loans;

- establishing various programs to absorb a portion of debt service cost for mortgage loan debtors (including debt restructuring and conversion support programs); and

- broadening the ability of foreign and Mexican investors to participate in Mexican financial institutions.

Strengthening the financial system laws

On June 4, 2001, the Mexican Congress enacted a number of amendments to the Mexican Banking Law, the Financial Groups Law, the National Savings and Public Bank Services Law (*Ley Orgánica del Banco del Ahorro Nacional y Servicios Financieros*), the Securities Market Law, the National Banking and Securities Commission Law (*Ley de la Comisión Nacional Bancaria y de Valores*), the Mutual Funds Law *(Ley de Sociedades de Inversion*) and the General Law on Ancillary Activities and Organizations of Credit (*Ley de Organizaciones y Actividades Auxiliares del Crédito*).

Most of these amendments eliminate legal hurdles and inconsistencies and grant more power to the CNBV. The main objectives of the amendments include the following:

- Establishing clearly that the primary responsibility for financial sector supervision lies with the Ministry of Finance and Public Credit. The Ministry of Finance and Public Credit bears the primary supervisory responsibility and is supported by three autonomous agencies functionally attached to it: the CNBV, the CNSF and CONSAR. Banco de México, in addition to managing its normal central bank operations, also regulates lending and funding transactions, and the foreign exchange and derivatives markets. Two other decentralized public agencies involved with banking operations are the IPAB, which is in charge of concluding the recovery processes of assets and institutions after the 1994-95 banking crisis and managing a formal deposit insurance system, and the CONDUSEF, which was set up by grouping all the consumer protection functions in existing supervisory agencies (the CNBV, the CNSF and CONSAR).

- Enhancing the CNBV's supervisory practices. In particular, the amendments lifted bank secrecy provisions to allow cross-border supervision, increase financial supervisory responsibility over external auditors and allow the CNBV to establish regulations for financial conglomerates. The amendments also introduced a system of prompt corrective actions that will provide the authorities with adequate tools to deal transparently and efficiently with troubled banks.

- Increasing the number of banking operations and expanding the banking sector. The amendments included factoring and financial derivatives as banking operations and lifted the prohibition on back-to-back operations. The amendments also eased direct bill payments in an effort to expand banking services in the economy. In addition, FOVI was subsumed into a development bank, the Federal Mortgage Corporation (*Sociedad Hipotecaria Federal*) or SHF, which was created to promote the development of primary and secondary markets of housing loans. The National Savings Patronage (*Patronato del Ahorro Nacional*) was also transformed into a development bank, the National Savings and Financial Services Bank (*Banco del Ahorro Nacional y de Servicios Financieros*), which was created to promote savings, financing, and investment among savings and loan institutions for low-income savers.

- Restricting related-party lending. The amendments simplified laws concerning loans to related parties, established clear limitations for the calculation of loans, and defined who is eligible for such loans, as well as the maximum aggregate amount of such to a related party. Also, a board member's voting rights on related transactions will be suspended.

- Covering gaps in corporate governance, which constituted a major step in developing equity markets. The amendments changed the structure of boards of directors, providing for the presence of independent board members, creating audit committees, introducing provisions to avoid conflicts of interest between board members and senior management, preventing the abuse of minority shareholders and introducing more transparency in the agenda for shareholders' meetings.

- Providing an appropriate structure for the development of mutual funds. The amendments allowed a wide variety of collective investment vehicles with different risk profiles for different classes of investors.

On December 30, 2002, the Mexican Congress enacted the Law on Transparency and Development of Competition for Secured Credit (*Ley de Transparencia y de Fomento a la Competencia en el Crédito Garantizado*), as amended on June 13, 2003 and February 7, 2005, or the Secured Credit Law. In addition, certain general regulations relating to the Secured Credit Law were enacted on June 30, 2003. The Secured Credit Law provides a legal framework for financial activities and certain other services performed by private banks (as opposed to governmental entities) in connection with secured loans relating to real property in general, and housing in particular (i.e., purchase, construction, restoration or refinancing). In particular, the Secured Credit Law establishes specific rules requiring the following:

- the disclosure of certain information by banks to their customers prior to the execution of the relevant loan agreement, including the disclosure of certain terms relating to interest rates and aggregate costs and expenses payable;

- compliance by banks and borrowers with certain requirements in the application process;

- that offers made by banks granting secured loans shall have binding legal effect;

- the inclusion of mandatory provisions in loan agreements; and

- the assumption of certain obligations by public officers (or notaries) before whom secured loans are granted.

In addition, the Secured Credit Law seeks to foster competition among banks by permitting security interests underlying a secured loan to survive any refinancing thereof, even if such loans were granted by different banks. This provision of the Secured Credit Law is designed to reduce expenditures made by borrowers in connection with refinancings.

Initiatives to improve creditors' rights and remedies

Mexico has enacted legislation to improve creditors' rights and remedies. These laws include collateral pledge mechanisms and a bankruptcy law.

Collateral mechanisms

On May 23, 2000 and June 13, 2003, laws regarding the perfection and enforcement of security interests were changed significantly. These changes introduced a new device for pledging without transferring possession, as well as a common security device known in Mexico as the security trust. Provisions related to the enforcement and foreclosure of these security interests, as well as criminal provisions, were added to the existing law. The purpose of these changes is to provide an improved legal framework for secured lending and to encourage banks to increase their lending activities. It is now possible to pledge all personal property being used in a debtor's main business activity by making only a generic description of such property. The provisions regulating the security trust are similar to those governing pledges of personal property, except they provide that title to the collateral must be held by the trustee. Also, the new provisions permit the transfer of title of the pledged assets if agreed by the parties in the case of pledges of listed securities. The amendments of June 13, 2003, eliminated a prior non-recourse provision applicable to non-possessory pledges and security trusts in order to allow creditors further recourse against debtors in the event that proceeds derived from the sale or foreclosure of collateral are insufficient to pay secured obligations.

Bankruptcy law

A bankruptcy law was enacted on May 12, 2000. The previous bankruptcy law, which remains in full force and effect with respect to any insolvency proceedings filed prior to May 13, 2000, contemplated two types of procedures: suspension of payments and bankruptcy. The law provides for a single insolvency proceedings encompassing two successive phases: a conciliatory phase of mediation between creditors and debtor; and bankruptcy.

Only IPAB or the CNBV may demand the declaration of insolvency of banking institutions, including us. In the case of banking institutions, such as us, with the declaration of insolvency (concurso mercantil) the judicial procedure is initiated in the bankruptcy phase and not, as in common procedures, in the conciliatory phase. Upon presentation of the declaration of insolvency, banking institutions must cease operations and suspend payment of all obligations.

The bankruptcy law establishes precise rules that determine when a debtor is in general default in its payment obligations. The principal indications are failure by a debtor to comply with its payment obligations in respect of two or more creditors, and the existence of the following two conditions: (i) 35.0% or more of a debtor's outstanding liabilities are 30 days past-due; and (ii) the debtor fails to have certain specifically defined liquid assets and receivables in order to support at least 80.0% of its obligations which are due and payable.

The law provides for the use and training of experts in the field of insolvency and the creation of an entity to coordinate their efforts. Such experts include the intervenor (interventor), conciliator (conciliador) and receiver (síndico). The IPAB acts as the receiver and the CONDUSEF may appoint up to three intervenors.

On the date the insolvency judgment is entered, all peso-denominated obligations are converted into UDIs, and foreign currency-denominated obligations are converted into pesos at the rate of exchange for that date and then converted into UDIs. Only creditors with a perfected security interest (i.e., mortgage, pledge or security trust) continue to accrue interest on their loans. The bankruptcy law mandates the early termination and netting of derivative repo and securities lending transactions upon the declaration of insolvency.

The bankruptcy law provides for a general rule as to the period when transactions may be scrutinized by the judge in order to determine if they were entered into for fraudulent purposes which is 270 calendar days prior to the judgment declaring insolvency. This period is referred to as the retroactive period. Nevertheless, upon the reasoned request of the conciliator, the intervenors, who may be appointed by the creditors to oversee the process, or any creditor, the judge may set a longer period.

A restructuring agreement must be subscribed to by the debtor, as well as recognized creditors representing more than 50.0% of the sum of the total recognized amount corresponding to common creditors and the total recognized amount corresponding to secured or privileged creditors subscribing the agreement. The proposed agreement, once approved by the creditors, must be presented to the IPAB for its approval. Any such agreement, when confirmed by the court, becomes binding on all creditors, and the insolvency proceeding is then considered to be concluded. If an agreement is not reached, the debtor is declared bankrupt.

Deregulation of lending entities and activities

In July 2006, the Mexican Congress enacted reforms to the General Law of Auxiliary Credit Organizations and Credit Activities (*Ley General de Organizaciones y Actividades Auxiliares del Crédito*), the Mexican Banking Law and the Foreign Investment Law (*Ley de Inversión Extranjera*), with the objective of creating a new type of financial entity called multi-purpose financial entities, or Sofom (the "Sofom Amendments"). The Sofom Amendments were published in the Official Gazette of Mexico on July 18, 2006.

The main purpose of the Sofom Amendments is to deregulate lending activities, including financial leasing and factoring activities. Sofomes are Mexican corporations (*sociedades anónimas*) that expressly include as their main corporate purpose in their by-laws, engaging in lending and/or financial leasing and/or factoring services. Pursuant to the Sofom Amendments, the Ministry of Finance and Public Credit has ceased to authorize the creation of new sofoles, and all existing Sofol authorizations will automatically terminate on July 19, 2013. On or prior to that date, existing sofoles must cease operating as a Sofol. Failure to comply with this requirement will result in dissolution or liquidation of the Sofol. Existing sofoles also have the option of converting to Sofomes or otherwise extending their corporate purposes to include activities carried out by Sofomes.

Among others, Sofomes that are affiliates of Mexican banks (i.e., private or public banks) or the holding companies of financial groups that hold a bank are regulated and supervised by the CNBV, and are required to comply with a number of provisions and requirements applicable to banks such as capital adequacy requirements, risk allocation requirements, related party transactions rules, write-offs and assignment provisions, as well as reporting obligations. Regulated Sofomes are required to include in their denomination the words "*Entidad Regulada*" (regulated entity) or the abbreviation thereof "E.R." All other entities whose main purpose is engaging in lending, financial leasing and factoring activities are non-regulated Sofomes and so indicate such in their corporate denomination by including the words "*Entidad No Regulada*" (non-regulated entity) or the abbreviation thereof, "E.N.R." Non-regulated Sofomes are not subject to the supervision of the CNBV.

Sofomes (regulated or non-regulated) are subject to the supervision of the CONDUSEF as is the case with any other financial entity.

The Sofom Amendments also eliminated the restrictions on foreign equity investment applicable to sofoles, financial leasing and factoring companies, which until the Sofom Amendments became effective, was limited to 49.0%. Accordingly, the Sofom Amendments may cause an increase in competition in the banking industry, from foreign financial institutions.

Recent amendments to the Mexican Banking Law

In 2008, the Mexican Banking Law was amended, allowing the incorporation of commercial banks with a subscribed and paid-in capital stock of 90 million UDIs; and of banks authorized to carry out some of the operations or services described in Article 46 of such law, known as "niche banks." These niche banks must be incorporated with not less than 40% of the capital stock required for a bank to perform the multiple operations referred to in such Article 46.

Moreover, pursuant to this amendment to the Mexican Banking Law, the CNBV is vested with a number of functions previously held by the Ministry of Finance and Public Credit, including, but not limited to, the ability to approve the establishment and operation of a credit institution; to authorize the establishment of representative offices of foreign financial institutions; to allow banks to invest capital in companies developing new projects of long maturity or undertake activities eligible for promotion, or in companies that provide complementary or auxiliary services in the performance of their activities.

SUPERVISION AND REGULATION

Introduction

Our operations are primarily regulated by the Mexican Banking Law, and the rules issued thereunder by the Ministry of Finance and Public Credit and the CNBV, as well as rules issued by Banco de México and the IPAB. The authorities that supervise our operations are the Ministry of Finance and Public Credit, Banco de México and the CNBV.

The Ministry of Finance and Public Credit, either directly or through the CNBV, the role of which has been expanded, possesses broad regulatory powers over the banking system. Banks are required to report regularly to the financial regulatory authorities, principally the CNBV and Banco de México. Reports to bank regulators are often supplemented by periodic meetings between senior management of the banks and senior officials of the CNBV. Banks must submit their unaudited monthly and quarterly and audited annual financial statements to the CNBV for review, and must publish on their website and in a national newspaper their unaudited quarterly balance sheets and audited annual balance sheets. The CNBV may order a bank to modify and republish such balance sheets.

Additionally, banks must publish on their website, among other things:

- the bank's basic consolidated and audited annual financial statements, together with a report containing the management's discussion and analysis of the financial statements and the bank's financial position, including any important changes thereto and a description of the bank's internal control systems;
- a description of the bank's board of directors, identifying independent and non-independent directors and including their resume;
- a description and the total amount of compensation and benefits paid to the members of the board of directors and senior officers during the past year;
- unaudited quarterly financial statements for the periods ending March, June and September of each year, together with any comments thereon;
- any information requested by the CNBV to approve the accounting criteria and special registries;
- a detailed explanation regarding the main differences in the accounting used to prepare the financial statements;
- the credit rating of their portfolio;
- the capitalization level of the bank, its classification (as determined by the CNBV) and any modifications thereto;
- financial ratios;
- a brief summary of the resolutions adopted by any shareholders' meeting, debenture holders' meeting, or by holders of other securities or instruments; and
- the bank's by-laws in effect at any time and from time to time.

The CNBV has the authority to grant and revoke authorizations to bank institutions and to impose fines for failing to comply with the provisions of the Mexican Banking Law, or regulations promulgated thereunder. In addition, Banco de México has authority to impose certain fines and administrative sanctions for failure to comply with the provisions of the Law of Banco de México (*Ley del Banco de México*) and regulations that it promulgates and the Law for the Transparency and Regulation of Financial Services (*Ley para la Transparencia y Ordenamiento de los Servicios Financieros*), including violations relating to the regulation of interest rates and fees and the terms of disclosure of fees charged by banks to customers. Violations of specified provisions of the Mexican Banking Law are subject to administrative sanctions and criminal penalties.

Licensing of Banks

An authorization of the Mexican government is required to conduct banking activities. The CNBV, subject to the prior favorable opinion of Banco de México, has the power to authorize the establishment of new banks, subject to minimum capital standards, among other things. Approval of the CNBV is also required prior to opening, closing or relocating offices, including branches, outside of Mexico or transfer of assets or liabilities between branches.

Intervention

The CNBV may declare intervención ("managerial intervention") of a banking institution pursuant to Articles 138 through 149 of the Mexican Banking Law and in such case the Governing Board of IPAB will appoint an *administrador cautelar* ("peremptory manager") (the "CNBV Intervention").

A CNBV Intervention pursuant to Articles 138 through 149 of the Mexican Banking Law, will only occur when (i) during a calendar month, the capitalization ratio of a bank is reduced from a level equal to or above the minimum Capital Ratio required under the Mexican Capitalization Requirements, to 50% or less than such minimum Capital Ratio; or (ii) a bank does not comply with any minimum corrective measure ordered by the CNBV pursuant to Article 134 Bis 1 of the Mexican Banking Law, does not comply with more than one additional special corrective measures ordered by the CNBV pursuant to such Article 134 Bis 1 or consistently does not comply with any such additional corrective measures ordered by the CNBV and, in the case of this clause (ii), it does not submit itself to the conditional management regime described under "— Improved Framework to Resolve/Support Commercial Banking Institutions —Financial Support — Conditional Management Regime." In addition, a CNBV Intervention may occur when the CNBV in its sole discretion, determines the existence of irregularities that affect the stability or solvency of the bank or the public interest or the bank's creditors.

The peremptory manager appointed by IPAB will assume the authority of the board of directors. The peremptory manager will have the authority to represent and manage us with the broadest powers under Mexican law and will not be subject to our board of directors or our shareholders. The appointment of the peremptory manager must be registered in the Public Registry of Commerce of the corresponding domicile.

IPAB

The Banking Deposit Insurance Law, or the "IPAB Law" (*Ley de Protección al Ahorro Bancario*), which became effective January 20, 1999, provides for the creation, organization and functions of the IPAB, the bank savings protection agency. IPAB is a decentralized public entity that regulates the financial support granted to banks for the protection of bank deposits.

Only in exceptional cases may IPAB grant financial support to banking institutions. For a detailed description of the financial support that may be granted by IPAB, see "—Resolution and Payment of Guaranteed Obligations."

According to the IPAB Law, banks must provide the information required by IPAB for the assessment of their financial situation and notify IPAB about any event that could affect their financial stability. The IPAB Law expressly excludes the release of such data from bank secrecy provisions contained in the Mexican Banking Law and expressly provides that IPAB and the CNBV can share information and databases of banks.

IPAB is authorized to manage and sell the loans, rights, shares and any other assets that it acquires to perform its activity according to the IPAB Law, to maximize their recovery value. IPAB must ensure that the sale of such assets is made through open and public procedures. The Mexican President is required to present annually a report to Congress prepared by IPAB with a detailed account of the transactions conducted by IPAB in the prior year.

IPAB has a governing board of seven members: (i) the Minister of Finance and Public Credit, (ii) the Governor of Banco de México, (iii) the President of the CNBV, and (iv) four other members appointed by the President of Mexico, with the approval of two-thirds of the Senate.

The deposit insurance to be provided by IPAB to a bank's depositors will be paid upon determination of the dissolution and liquidation, or bankruptcy of a bank. IPAB will act as liquidator or receiver in the dissolution and liquidation, or bankruptcy of banks, either directly or through designation of a representative. IPAB will guaranty obligations of banks to certain depositors and creditors (excluding, among others, financial institutions) only up to the amount of 400,000 UDIs per person per bank. IPAB will not guarantee (i) deposits and loans constituting negotiable instruments and bearer promissory notes; (ii) liabilities for financial institutions or subsidiaries of the bank, (iii) liabilities not incurred in the ordinary course of business and related party transactions, or (iv) liabilities assumed in bad faith or in connection with money laundering or other illegal activities.

Banks have the obligation to pay IPAB ordinary and extraordinary contributions as determined from time to time by the Governing Board of IPAB. Under the IPAB Law, banks are required to make monthly ordinary contributions to IPAB, equal to 1/12 of 0.4% multiplied by the average of the daily outstanding liabilities of the respective bank in a specific month, less (i) holdings of term bonds issued by other commercial banks; (ii) financing granted to other commercial banks; (iii) financing granted by IPAB; (iv) subordinated debentures that are mandatorily convertible in shares representing the capital stock of the banking institution; and (v) certain forward-operations.

IPAB's Governing Board also has the authority to impose extraordinary contributions in the case that, given the conditions of the Mexican financial system, IPAB does not have available sufficient funds to comply with its obligations. The determination of the extraordinary contributions is subject to the following limitations: (i) such extraordinary contributions may not exceed, on an annual basis, the amount equivalent to 0.3% multiplied by the total amount of the liabilities outstanding of the banking institutions that are subject to IPAB contributions; and (ii) the aggregate amount of the ordinary and extraordinary contributions may not exceed, in any event, on an annual basis, an amount equivalent to 0.8% multiplied by the total amount of the liabilities outstanding of the applicable banking institution.

The Mexican Congress allocates funds to IPAB on a yearly basis to manage and service the IPAB's liabilities. In emergency situations, IPAB is authorized to incur additional financing every three years in an amount not to exceed 6% of the total liabilities of Mexican banks.

Amendments to Banking Laws/Support Commercial Banking Institutions

In July 2006, certain amendments to the Mexican Banking Law, the IPAB Law and the Financial Groups Law were enacted by Mexican Congress to reinforce the legal framework to adopt and grant financial support to commercial banking institutions undergoing financial difficulties.

Resolution and Payment of Guaranteed Obligations

Revocation of banking license

In case that the CNBV revokes a license to organize and operate as a banking institution, IPAB's Governing Board will determine the manner under which the corresponding banking institution shall be dissolved and liquidated in accordance with Articles 122 Bis 16 through 122 Bis 29 of the Mexican Banking Law. In such a case, IPAB's Governing Board may determine to undertake the liquidation through any or a combination of the following transactions: (i) transfer the liabilities and assets of the banking institution in liquidation to another banking institution; (ii) constitute, organize and manage a new banking institution owned and operated directly by

IPAB, with the exclusive purpose of transferring the liabilities and assets of the banking institution in liquidation; or (iii) any other alternative that may be determined within the limits and conditions provided by the Mexican Banking Law that IPAB considers as the best and less expensive option to protect the interest of bank depositors.

Causes to revoke a banking license

The above mentioned amendments significantly expand the events upon which the CNBV may revoke a banking license. The following are among the most relevant events:

- if the banking institution is dissolved or initiates liquidation or bankruptcy procedures (*concurso mercantil*);

- if the banking institution (a) does not comply with any minimum corrective measures ordered by the CNBV pursuant to Article 134 Bis 1 of the Mexican Banking Law; (b) does not comply with any special corrective measure ordered by the CNBV pursuant to such Article 134 Bis 1; or (c) consistently does not comply with an additional special corrective measure ordered by the CNBV;

- if the banking institution does not comply with the minimum Capital Ratio required under the Mexican Banking Law and the Mexican Capital Requirements;

- if the banking institution defaults with respect to any of the following payment obligations (a) in the case of obligations in an amount greater than 20,000,000 UDIs or its equivalent: (1) loans granted by other banking institutions, foreign financial institutions or Banco de México, or (2) payments of principal or interest on securities issued, that have been deposited with a clearing system, and (b) in the case of obligations in an amount greater than 2,000,000 UDIs or its equivalent, if during two business days or more, (1) it does not pay its obligations with one or more participants in clearing systems or central counterparts, or (2) it does not pay in two or more of its branches, banking deposits claimed by 100 or more of its customers.

Upon publication of the resolution of the CNBV revoking a banking license in the Official Gazette of Mexico and two newspapers of wide distribution in Mexico and registration of such resolution with the corresponding Public Registry of Commerce, the relevant banking institution will be dissolved and liquidation will be initiated. Upon liquidation or the declaration of bankruptcy (*concurso mercantil*) of a banking institution, IPAB shall proceed to make payment of all "guaranteed obligations" of the relevant banking institution, in compliance with the terms and conditions set forth by the Mexican Banking Law, other than those "guaranteed obligations" that have been actually transferred pursuant to articles 122 Bis 25 to 122 Bis 29 of the Mexican Banking Law.

Obligations of a banking institution in liquidation that are not considered "guaranteed obligations" pursuant to the IPAB Law, and that are not effectively transferred out of the insolvent banking institution, will be treated as follows:

- term obligations will become due (including interest accrued);

- unpaid principal amounts, interest and other amounts due in respect of unsecured obligations denominated in pesos or UDIs will cease to accrue interest;

- unpaid principal amounts, interest and other amounts due in respect of unsecured obligations denominated in foreign currencies, regardless of their place of payment, will cease to accrue interest and will be converted into pesos at the prevailing exchange rate determined by Banco de México;

- secured liabilities, regardless of their place of payment will continue to be denominated in the agreed currency, and will continue to accrue ordinary interest, up to an amount of principal and interest equal to the value of the assets securing such obligations;

- obligations subject to a condition precedent, shall be deemed unconditional;

- obligations subject to a condition subsequent, shall be deemed as if the condition had occurred, and the relevant parties will have no obligation to return the benefits received during the period in which the obligation subsisted; and

- derivatives, repos and securities loans will be early terminated and netted.

Liabilities owed by the banking institution in liquidation will be paid in the following order of preference: (i) liquid and enforceable labor liabilities, (ii) secured liabilities, (iii) tax liabilities, (iv) liabilities to IPAB, as a result of the partial payment of obligations of the banking institution supported by IPAB in accordance with the Mexican Banking Law; (v) bank deposits, as well as any other liabilities in favor of IPAB different from those referred to clause (iv) above, (vi) any other liabilities other than those referred to in the following clauses, (vii) preferred subordinated debentures, (viii) non-preferred subordinated debentures, and (ix) the remaining amounts, if any, shall be distributed to stockholders.

Financial Support

Determination by the Financial Stability Committee

In case that the newly created Financial Stability Committee (the "FSC") determines that a bank were to default on its payment obligations and such default may (i) generate severe negative effects in one or more commercial banks or other financial entities, endangering their financial stability or solvency, and such circumstance may affect the stability or solvency of the financial system, or (ii) put the operation of the payments' system at risk, then the FSC may determine, on a single-case basis, that a general percentage of all of the outstanding obligations of the troubled bank that are not considered ''guaranteed obligations'' under the IPAB Law and guaranteed obligations in amounts equal to or higher than the amount set forth under Article 11 of the IPAB Law (400,000 UDIs per person per entity), be paid as a means to avoid the occurrence of any of such circumstances. Notwithstanding the foregoing, under no circumstance may the transactions referred to in Sections II, IV and V of Article 10 of the IPAB Law (which include transactions such as liabilities or deposits in favor of shareholders, members of the board of directors and certain top level officers, and certain illegal transactions) or the liabilities derived from the issuance of subordinated debentures, be covered or paid by IPAB or any other Mexican governmental agency.

Types of financial support

In case that the FSC makes the determination referred to in the prior paragraph, then IPAB's Governing Board will determine the manner according to which the troubled bank will receive financial support, which may be through either of the following options:

- If the FSC determines that the full amount of all of the outstanding liabilities of the relevant troubled commercial bank (guaranteed and non-guaranteed) must be paid, then the financial support may be implemented through (i) capital contributions granted by IPAB in accordance with Articles 122 Bis 2 through 122 Bis 6 of the Mexican Banking Law, or (ii) credit support granted by IPAB in accordance with Articles 122 Bis 7 through 122 Bis 15 of the Mexican Banking Law, and in either case the CNBV shall refrain from revoking the banking license granted to such commercial bank.

- If the FSC determines that less than the full amount of all the outstanding liabilities of the troubled commercial bank (guaranteed and non-guaranteed) must be paid, then the support will consist of transferring the assets and liabilities of such commercial bank to a third party, as set forth in Articles 122 Bis 27 or 122 Bis 29 of the Mexican Banking Law.

The members of the FSC are representatives of the Ministry of Finance and Public Credit, Banco de México, the CNBV and IPAB.

Conditional management regime

As an alternative to revoking the banking license, a new conditional management regime was created, that may apply to commercial banks with a Capital Ratio below the minimum required pursuant to the Mexican Capitalization Requirements. To adopt this regime, the relevant bank must voluntarily request to the CNBV, with prior approval of its shareholders, the application of the conditional management regime. In order to qualify for such regime, the relevant commercial bank should (i) deliver to the CNBV a plan for the reconstitution of its capital, and (ii) transfer at least 75% of its shares to an irrevocable trust.

Banking institutions with a Capital Ratio equal to or below 50% of the minimum Capital Ratio required by the Mexican Capitalization Requirements may not adopt the conditional management regime.

Capitalization

Rules on capitalization included in the General Rules for Banks establish the principles and guidelines to accurately reflect in the banks' capitalization index the risks faced by intermediaries, such as credit, market and also operational risks, in order to encourage a more efficient use of capital by the banks.

With respect to credit risk, it will be applicable either a standard method or a method based on internal ratings, which could be basic or advanced and subject to approval by the CNBV. With respect to market risk, the banks will use the standard method. With respect to operational risk, different methods of increasing complexity will apply, in accordance with such rules.

The minimum equity capital requirement applicable to commercial banks (including newly chartered banks) is 90,000,000 UDIs for commercial banks that expressly include in their bylaws all the operations and services described in article 46 of the Mexican Banking Law. The CNBV will determine by general provision the minimum capital amount for commercial banks, according to the operations expressly contemplated by its bylaws. In any case, the subscribed and paid-in capital stock of a commercial bank may be less than 40% of the minimum capital stock required for a bank to perform the multiple operations referred to in Article 46 of the Mexican Banking Law.

Banks are required to maintain a net capital (*capital neto*) relative to market risk, risk-weighted assets incurred in its operation, and operations risk, which may not be less than the capital required in respect of each type of risk. The Mexican Capitalization Requirements set forth the methodology to determine the net capital relative to market risk, risk-weighted assets and operations risk. Under the relevant regulations, the CNBV may impose additional capital requirements and Banco de México may, with the CNBV's recommendation, grant temporary exceptions to such requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk-Based Capital."

The Mexican Capitalization Requirements provide capitalization standards for Mexican banks similar to international capitalization standards, particularly with respect to the recommendations of the Basel Committee on Banking Supervision (although Mexico does not fully implement such requirements and has not fully implemented the last amendment).

Under the Mexican Capitalization Requirements, Mexican banks are required to maintain a minimum Capital Ratio of 10.0% to avoid the imposition of any of the corrective measures described below. In case that a Mexican bank maintains a minimum Capital Ratio of 8%, the Mexican Capitalization Requirements would require, among other things, the deferral or cancellation of interest payments or deferral of principal payments of its subordinated debt that qualifies as part of its aggregate net capital. Aggregate net capital consists of Tier 1 Capital and Tier 2 Capital. At all times, Tier 1 Capital must represent at least 50.0% of our aggregate net capital. The Mexican Capitalization Requirements subtract from Tier 1 Capital, among others, certain subordinated debt instruments, capital investments in certain financial entities and in non-financial, non-publicly traded companies, certain investments in the equity of venture-capital funds and investments in related companies, reserves pending to be created, loans and other transactions that contravene applicable law, and intangibles (including goodwill).

Every Mexican bank must create certain legal reserves (*fondo de reserva de capital*), included as part of Tier 1 Capital. Banks must allocate 10.0% of their net income to such reserve each year until the legal reserve equals 100.0% of their paid-in capital (without adjustment for inflation). The balance of net income, to the extent not distributed to shareholders, is added to the retained earnings account. Under Mexican law, dividends may not be paid out of the legal reserve. As of December 31, 2010, we had set aside Ps.6,881 million in legal reserves compared to paid-in capital of Ps.24,138 million (without adjustment for inflation).

Corrective Measures

Pursuant to the Mexican Capitalization Requirements, the CNBV classifies Mexican banks in several categories based on their Capital Ratio and orders corrective measures to prevent and correct problems that may affect the stability or solvency of banks if a bank fails to meet the minimum required Capital Ratio.

Reserve and Compulsory Deposit Requirements

The compulsory reserve requirement is one of the monetary policy instruments used as a mechanism to control the liquidity of the Mexican economy to reduce inflation. The objective of Banco de México's monetary policy is to maintain the stability of the purchasing power of the Mexican peso and in this context, to maintain a low inflation level. Given the historic inflation levels in Mexico, the efforts of Banco de México have been directed towards a restrictive monetary policy. Under this policy, Banco de México has elected to maintain a short-term financial creditor stance with respect to the Mexican financial money markets, where every day, the market starts operations with a liquidity deficit which is then compensated by Banco de México through daily operations in the money market to provide adequate liquidity and stability to these markets. Banco de México's own experience has shown that its implementation of monetary policy is more effective if it starts from a deficit liquidity position at the beginning of each market day.

In order to manage its maturity exposures to the Mexican financial markets, Banco de México has been extending the maturities of its liabilities for longer terms to avoid the need for continuing refinancing of its liabilities. Those liabilities have been restructured into voluntary and compulsory deposits (Depósitos de Regulación Monetaria), and into investment securities such as longer-term government bonds (Bondes) and compulsory monetary regulatory bonds (Brems). At the same time, Banco de México has elected to hold short-term assets, thus allowing it the ability readily to refinance its positions of assets and reduce its maturity exposure to the financial markets.

Banco de México may impose on Mexican commercial banks reserve and compulsory deposits from time to time. The amount of the deposit that each bank has to make is determined based on each bank's pro rata share of total Mexican financial institution time deposits allocated and registered as of certain date. Such compulsory deposits have an indefinite term. During the time these reserves are maintained on deposit with Banco de México, each banking institution receives interest on such deposits every 28 days. Banco de México provides advance notice of the date and the procedure to withdraw the balance of these compulsory deposits at such time, if any, that the compulsory deposit reserves are suspended or terminated.

Classification of Loans and Allowance for Loan Losses

The Loan Classification and Rating Rules set forth under the General Rules for Banks, provide a methodology to classify (i) consumer loans (i.e., each of credit card exposure and loans to individuals, divided as separate groups) considering as principal factors (a) for credit card exposure, the probability of non-payment and potential losses (taking into account collateral received), and (b) for loans to individuals, the probability of non-payment, potential losses (taking into account collateral received), and credit exposure (net of reserves created), (ii) mortgage loans (i.e., residential, including loans for construction, remodeling or improvements), considering as principal factors delinquency periods, possibility of non-payment and potential losses (taking into account collateral and guarantees received), and (iii) commercial loans, based principally on an evaluation of the borrower's ability to repay its loan (including country risk, financial risk, industry risk and payment history) and an evaluation of the related collateral and guarantees. Based on this methodology, the percentage of required reserves is determined. The Loan Classification and Rating Rules also permit banks, subject to prior approval by the CNBV, to develop and adopt specific internal procedures within certain parameters to grade the loans in their loan portfolio. See "Selected Statistical Information—Grading of Loan Portfolio" for a description of our internal procedures.

The Loan Classification and Rating Rules require that Mexican banks grade 100.0% of their commercial loan portfolio (except loans made to or guaranteed by the Mexican federal government) as of the end of each quarter. The classification of mortgage and consumer loans is required to be made monthly and reported to the CNBV.

The Loan Classification and Rating Rules establish the following categories corresponding to levels of risk and set forth procedures for the grading of commercial loans: Grade "A" loans, representing minimal risk of non-payment; Grade "B" loans, represent low risk loans; Grade "C" loans, representing loans with moderate risk; Grade "D" loans, represent high risk loans; and Grade "E" loans, representing non-collectible loans.

The Loan Classification and Rating Rules provide for additional subcategories of grading on the basis of the collateral or guarantees that may apply to the individual credit subject to grading, as follows:

	Allowance for Loan Losses		
Risk Levels	**Low/Minus Rating**	**Medium/Average Rating**	**High/Plus Rating**
A-1		0.5%	
A-2		0.99%	
B-1	1.0%	3.0%	4.99%
B-2	5.0%	7.0%	9.99%
B-3	10.0%	15.0%	19.99%
C-1	20.0%	30.0%	39.99%
C-2	40.0%	50.0%	59.99%
D	60.0%	75.0%	89.99%
E		100.0%	

Non-performing consumer loans and credit card accounts are classified based on the amount of time such credit card accounts and consumer loans have been past-due. Consumer loans and credit card accounts with zero past-due payments are rated "A," those past-due for one month are rated "B," those past-due for two months are rated "C," accounts past-due three to six months are rated "D" and past-due accounts of seven months or more are rated "E."

Residential real estate mortgage loans are also classified on the basis of the amount of time such loans have been past-due. Real estate mortgage loans with zero past-due payments are rated "A," those past-due for up to four months are rated "B," those past-due for five to six months are rated "C," loans past-due seven to forty-seven months are rated "D" and past-due loans of forty-eight months or more are rated "E."

The grading of commercial loan portfolio is determined by an analysis of the financial risk, industry risk, country risk and the credit experience, which include the following risk factors: financial structure and payment capacity, sources of financing, administration and decision making, integrity of the financial information, market position and the specific collateral or guarantees that secure the loans and the liquidity of any collateral.

The loan loss reserves are held in a separate account on our balance sheet and all write-offs of uncollectible loans are charged against this reserve. Mexican banks are required to obtain authorization from their boards of directors to write-off loans. In addition, Mexican banks are required to inform the CNBV after such write-offs have been recorded.

The determination of the allowance for loan losses, particularly for commercial loans, requires management's judgment. The loan loss reserve calculation that results from using the estimated and prescribed loss percentages may not be indicative of future losses. Differences between the estimate of the loan loss reserve and the actual loss will be reflected in our financial statements at the time of charge-off.

Because of the changing conditions of our borrowers and the markets in which we operate, it is possible that significant adjustments to the loan loss reserve for changes in estimates of the collectability of loans will be made in the short term.

See "Selected Statistical Information—Loan Portfolio" and "Selected Statistical Information—Allowance for Loan Losses—Analysis of Allowance for Loan Losses" for a classification of our loan portfolio and discussion of our allowance for loan losses.

Liquidity Requirements for Foreign Currency-Denominated Liabilities

Pursuant to the regulations of Banco de México, the liabilities of Mexican banks denominated in foreign currencies (including dollars) are subject to a liquidity coefficient equal to the amount obtained by multiplying all foreign currency-denominated indebtedness which will become due within 60 days or less by a percentage factor dependent on the remaining maturity of the liability (netted against liquid foreign currency-denominated assets also weighted depending on their maturity), which resulting amount must be invested in low-risk and highly liquid instruments and deposits, including, among others:

- U.S. dollar-denominated cash or cash denominated in any other currency freely convertible, and with no transfer restrictions, to U.S. dollars;
- deposits with Banco de México;
- treasury bills, treasury bonds and treasury notes issued by the United States government;
- one-day deposits or one to seven-day deposits in foreign financial institutions rated at least P-2 by Moody's or A-2 by S&P;
- investments in mutual funds or companies identified by Banco de México upon the banks' request;
- unused lines of credit granted by foreign financial institutions rated at least P-2 by Moody's or A-2 by S&P, subject to certain requirements; and
- foreign currency-denominated deposits made with foreign financial institutions rated P-2 by Moody's or A-2 by S&P that may be drawn against on demand or on two-day notice.

Such liquid assets may not be granted as collateral, lent or subject to repurchase transactions or any other similar transactions that may limit their transferability. In addition, the total amount of maturity-adjusted average net liabilities denominated or indexed in foreign currencies that Mexican banks, their subsidiaries or foreign agencies may have (calculated daily) are limited to 1.8 times the amount of their Tier 1 Capital. We are in compliance with the applicable reserve requirement and liquidity coefficients in all material aspects.

Lending Limits

In accordance with the General Rules for Banks, restrictions relating to the diversification of a bank's financing transactions are determined in accordance with the bank's compliance with Mexican Capitalization Requirements. For a bank with:

- Capitalization ratio greater than 8% and up to 9.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 12.0% of the bank's Tier 1 Capital;
- Capitalization ratio greater than 9% and up to 10.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 15.0% of the bank's Tier 1 Capital;

- Capitalization ratio greater than 10% and up to 12.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 25.0% of the bank's Tier 1 Capital;

- Capitalization ratio greater than 12.0% and up to 15.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 30.0% of the bank's Tier 1 Capital; and

- Capitalization ratio greater than 15.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 40.0% of the bank's Tier 1 Capital.

The limits mentioned in the prior paragraphs are required to be measured on a quarterly basis. The CNBV has discretion to reduce the aforementioned limits, if internal control or the risk management of the bank is inadequate.

Financings guaranteed by unconditional and irrevocable security interests or guarantees, that may be enforced immediately and without judicial action, granted by Mexican credit institutions or foreign financial institutions with investment grade ratings and domiciled in a country member of the European Union or the Organization for Economic Cooperation and Development (which guarantees must be accompanied with a legal opinion as to their enforceability), securities issued by the Mexican government, and cash (transferred to the bank lender under a deposit that may be freely disposed of by the lender) are exempted from the aforementioned guidelines, but such financings may not exceed 100.0% of a bank's Tier 1 Capital.

In addition, the aggregate amount of financings granted to the three largest borrowers of a bank, may not exceed 100.0% of the bank's Tier 1 Capital. Banks are not obligated to comply with the aforementioned limits with respect to financings made to the Mexican government, local governments (subject to such financings being guaranteed by the right to receive certain Federal taxes), Banco de México, the IPAB and development banks guaranteed by the Mexican government. The aforementioned guidelines do not apply to financings made to Mexican banks. The aggregate financings to Mexican banks and to government-controlled companies and decentralized agencies may not exceed 100.0% of such bank's Tier 1 Capital.

Banks are required to disclose, in the notes to their financial statements, (i) the number and amount of financings that exceed 100% of Tier 1 Capital, and (ii) the aggregate amount of financings made to their three largest borrowers.

Funding Limits

In accordance with the General Rules for Banks, Mexican banks are required to diversify their funding risks. In particular, a Mexican bank is required to notify the CNBV the business day following its receipt of funds from a person or a group of persons acting in concert that represent in one or more funding transactions, more than 100% of a bank's Tier 1 Capital. As of December 31, 2010, none of our liabilities to a person or group of persons exceeded the 100% threshold.

Foreign Currency Transactions

Banco de México regulations govern transactions by banks, denominated in foreign currencies. Mexican banks may, without any specific additional approval, engage in spot, foreign exchange transactions (i.e. transactions having a maturity not exceeding four business days). Other foreign currency transactions are deemed derivative transactions and require approvals as discussed below. At the end of each trading day, banks are generally obligated to maintain a balanced foreign currency position (both in the aggregate and by currency). However, short and long positions are permitted in the aggregate, so long as such positions do not exceed 15% of a bank's Tier 1 Capital. In addition, Mexican banks must maintain certain minimum liquidity, prescribed by regulations issued by Banco de México, in connection with maturities of obligations denominated in foreign currencies (as discussed under "Liquidity Requirements for Foreign Currency—Denominated Liabilities" above).

Derivative Transactions

Certain Banco de México rules apply to derivative transactions entered into by Mexican banks. Mexican banks are permitted to enter into swaps, credit derivatives, futures forwards and options with respect to the following underlying assets:

- specific shares, groups of shares or securities referenced to shares, that are listed in a securities exchange,
- stock exchange indexes,
- Mexican currency, foreign currencies and UDIs,
- inflation indexes,
- gold or silver,
- yellow corn (maize), wheat, soybeans, sugar, lean value hog carcasses, natural gas, aluminum and copper,
- nominal or real interest rates with respect to any debt instrument, and
- loans or other advances.

Mexican banks require an express general approval, issued in writing by Banco de México to enter into, as so-called intermediaries, into derivative transactions, with respect to each class or type of derivative. Mexican banks that have not received the relevant general approval, would require a specific approval from Banco de México to enter into such derivative transactions (or even if in possession of such general approval, to enter into derivative transactions with underlying assets different from the assets specified above). Mexican banks may, however, enter into derivatives without the authorization of Banco de México, if the exclusive purpose of such derivatives is to hedge the relevant bank's existing risks. Authorizations may be revoked if, among other things, the applicable Mexican bank fails to comply with Mexican Capitalization Requirements, does not timely comply with reporting requirements, or enters into transactions that contravene applicable law or sound market practices.

Mexican banks are required to periodically inform their board of directors with respect to the derivatives entered into, and whether or not the Mexican bank is in compliance with limits imposed by the board of directors and any applicable committee. Mexican banks must also inform Banco de México periodically of derivative transactions entered into and whether any such transaction was entered into with a related party. The counterparties in respect of derivatives transactions entered into by Mexican banks, must be other Mexican banks, Mexican financial entities authorized to enter into such derivatives by Banco de México or foreign financial institutions. Derivatives must be entered into pursuant to master agreements that must include international terms and guidelines, such as ISDA master agreements. As an exception to applicable rules, Mexican banks may pledge cash, receivables and securities to secure obligations resulting from their derivative transactions.

We carry out swaps, futures forwards and options related to pesos and foreign currencies in the underlying assets described above, except gold or silver, as well as of credit derivatives related to interest rate according to the General Rules for Derivative Transactions published by Banco de México on December 26, 2006, and amended on October 26, 2010.

Repurchase Operations and Securities Lending

Under a circular issued by Banco de México, Mexican banks may enter into repurchase operations with Mexican and foreign counterparts. Repurchase operations may be entered into in respect of bank securities, Mexican government securities, debt securities registered with the CNBV and certain foreign securities. Repurchase operations must be entered into under master agreements, such as the master agreements of the

International Securities Market Association and the Public Securities Association. Collateral may be provided in connection with repurchase operations.

Banco de México has also authorized Mexican banks to participate in securities lending activities on terms similar to those applicable to repurchase operations.

Limitations on Investments in Other Entities

Under the Financial Groups Law, subsidiaries of a financial services holding company may not acquire more than 1.0% of the capital stock of another Mexican financial institution, and under no circumstances may they own capital stock of their own financial services holding company, of other subsidiaries of their financial services holding company or of entities that are shareholders of their own financial services holding company or of other subsidiaries of their financial services holding company. In addition, members of a financial group may not extend credit in connection with the acquisition of their capital stock, the capital stock of their financial services holding company or the capital stock of other subsidiaries of their financial services holding company. Without the prior approval of the Ministry of Finance and Public Credit (which shall take into consideration the opinions of Banco de México and the primary Mexican regulatory commission supervising the financial entity), members of a financial group may not accept as collateral shares of stock of Mexican financial institutions. Mexican banks may not acquire or receive as collateral, certain securities issued by other Mexican banks. A notice to the Ministry of Finance and Public Credit is required prior to acquisition of shares of capital stock of non-Mexican financial entities, or of entities engaged in activities related to those of a bank.

In addition, Mexican Banking Law imposes certain restrictions on investments by Mexican banks in equity securities of companies engaged in non-financial activities. Mexican banks may own equity capital in such companies in accordance with the following guidelines: (i) up to 5.0% of the capital of such companies at any time; (ii) more than 5.0% and up to 15.0% of the capital of such companies for a period not to exceed three years, upon prior authorization of a majority of the members of each class of the bank's board of directors; and (iii) for higher percentages and for longer periods, or in companies engaged in new long-term projects or carrying out development related activities, with prior authorization of the CNBV. The total of all such investments made by a bank may not exceed 30.0% of such Tier 1 Capital.

Restrictions on Liens and Guarantees

Under the Mexican Banking Law, banks are specifically prohibited from (i) pledging their properties as collateral (except when pledging collection rights or securities in transactions with Banco de México, development banks, public federal trust and IPAP or if the CNBV so authorizes or as described above with respect to derivative transactions, securities lending and repurchase transactions) and (ii) guaranteeing the obligations of third parties, except, generally, in connection with letters of credit and bankers' acceptances.

Bank Secrecy Provisions; Credit Bureaus

Pursuant to the Mexican Banking Law, a Mexican bank may not provide any information relating to the identity of its customers or specific deposits, services or any other banking operations (including loans) to any third parties (including any purchaser, underwriter, or broker or holder of any of the bank's securities) other than (i) the depositor, debtor, accountholder or beneficiary and their legal representatives or attorneys-in-fact, (ii) judicial authorities in trial proceedings in which the accountholder is a party or defendant; (iii) the Mexican federal tax authorities for tax purposes; (iv) the Federal Electoral Agency; and (v) the federal attorney general's office (*Procuraduría General de la República*) for purposes of criminal proceedings, among others. In most cases, the information needs to be registered through the CNBV.

The Mexican Banking Law authorizes the CNBV to furnish foreign financial authorities with certain protected information under the Mexican bank secrecy laws; provided, however, that an agreement must be in place between the CNBV and such authority for the reciprocal exchange of information. The CNBV must abstain from furnishing information to foreign financial authorities if, in its sole discretion, such information may be used for purposes other than financial supervision, or by reason of public order, national security or any other cause set forth in the relevant agreement.

Banks and other financial entities are allowed to provide credit related information to duly authorized Mexican credit bureaus. We currently use the services of Buró de Crédito, S.A. de C.V., a Mexican credit bureau created jointly by us, other Mexican banks and a Mexican affiliate of TransUnion, a leading U.S. credit bureau.

Money Laundering Regulations

In June 2010 new regulations were issued by the Ministry of Finance and Public Credit which restrict cash transactions denominated in U.S. dollars that may be entered into by Mexican banks. Pursuant to such regulations, Mexican banks are not permitted to receive physical cash amounts, in U.S. dollars, from individuals in excess of U.S.$4,000 per month for deposits. Mexican banks are also not permitted to receive physical cash amounts, in U.S. dollars, from their corporate clients, except in very limited circumstances.

Also, Mexican banks are not permitted to receive physical cash amounts, in U.S. dollars, from individuals, in excess of U.S.$300 per day for individual foreign exchange transactions. In each case, the monthly amount per individual for such transactions cannot exceed U.S.$1,500.

Pursuant to rules issued by the Ministry of Finance, we are required to maintain, for a minimum term of ten (10) years, the documents described above, which relate to the identification of customers and that are required to be delivered by the relevant customer prior to the entering into any transaction.

Under the Money Laundering Rules, we must provide to the Ministry of Finance, through the CNBV, (i) quarterly (within 10 business days from the end of each quarter) reports in respect of transactions exceeding U.S.$10,000, (ii) reports of unusual transactions, within 30 calendar days counted from the date of occurrence of the applicable transaction and (iii) periodic reports (within 30 calendar days) of suspicious transactions.

Rules on Interest Rates

Banco de México regulations limit the number of reference rates that may be used by Mexican banks as a basis for determining interest rates on loans. For peso-denominated loans, banks may choose either: a fixed rate, TIIE, Cetes, MEXIBOR (Mexican Bank Overnight Rate), CCP (*costo de captación promedio a plazo*), the rate determined by Banco de México as applied to loans funded by or discounted with NAFIN or the rate agreed to with development banks in loans funded or discounted with them. For UDI-denominated loans, the reference rate is the UDIBONOS. For foreign currency-denominated loans, banks may choose either a fixed rate, EURIBOR, LIBOR or the rate agreed with international or national development banks or funds, for loans funded by or discounted with such banks or funds. For dollar-denominated loans, banks may choose either a fixed rate, CCP-Dollars, LIBOR or the rate agreed with international or national development banks or funds, for loans funded by or discounted with such banks or funds.

The rules also provide that only one reference rate can be used for each transaction and that no alternative reference rate is permitted, unless the selected reference rate is discontinued, in which event a substitute reference rate may be established. Similarly, a bank's spread has also been restricted to a single formula of either a fixed percentage or a number of basis points to be added to the selected reference rate.

On July 11, 2008, Banco de México issued rules regulating a bank's yield on credit card debt and provided that certain information regarding interest charges be included on the credit card statements sent to card users.

Fees

Under Banco de México regulations, Mexican banks, Sofoles and Sofomes may not, in respect of loans, deposits or other forms of funding and services with their respective clients, (i) charge fees that are not included in their respective, publicly disclosed, aggregate annual cost (*costo anual total*), (ii) charge alternative fees, except if the fee charged is the lower fee, and (iii) charge fees for the cancellation of credit cards issued. In addition, among other things, Mexican banks may not (i) charge simultaneous fees, in respect of demand deposits, for account management and relating to not maintaining minimum amounts, (ii) charge fees for returned checks received for deposit in a deposit account or as payment for loans granted, (iii) charge fees for cancellation of deposit accounts, debit or teller cards, or the use of electronic banking services, or (iv) charge different fees depending upon the amount subject of a money transfer. Under the regulations, fees arising from the use of ATMs must be disclosed to users.

Mexican banks, Sofoles and Sofomes permitting customers the use of, or operating, ATMs must choose between two options for charging fees to clients withdrawing cash or requesting balances: (i) specifying a fee for the relevant transactions, in which case, Mexican banks, Sofoles and Sofomes issuing credit or debit cards ("Issuers") may not charge cardholders any additional fee (Issuers are entitled to charge operators the respective fee), or (ii) permit Issuers to charge a fee to clients, in which case, banks, Sofoles and Sofomes my not charge additional fees to clients.

Banco de México, on its own initiative or as per request from the CONDUSEF (*Comisión Nacional para la Defensa de los Usuarios de las Instituciones Financieras*), banks, Sofoles or Sofomes, may assess whether reasonable competitive conditions exist in connection with fees charged by Banks, Sofoles or Sofomes in performing financial operations. Banco de México must obtain the opinion of the Federal Competition Commission (*Comisión Federal de Competencia*) in carrying out this assessment. Banco de México may take measures to address the issues.

On October 12, 2009, Banco de México published Circular 24/2009, which modifies the rules on ATM-user fees and became effective on April 30, 2010. This new regulation may result in changes to our current ability to charge fees for ATM use to our clients or the amount of such charges.

Law for the Protection and Defense of Financial Service Users

The Law for the Protection and Defense of Financial Service Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) purpose is to protect and defend the rights and interests of users of financial services. To this end, the law provides for the creation of CONDUSEF, an autonomous entity that protects the interests of users of financial services. CONDUSEF acts as arbitrator in disputes submitted to its jurisdiction and seeks to promote better relationships among users of financial institutions and the financial institutions. As a banking institution, we must submit to CONDUSEF's jurisdiction in all conciliation proceedings and may choose to submit to CONDUSEF's jurisdiction in all arbitration proceedings that may be brought before it and we may be required to provide reserves against contingencies, which could arise from proceedings pending before CONDUSEF. We may also submit for comment our standard agreements or information used to provide our services to CONDUSEF. We may be subject to coercive measures or sanctions imposed by CONDUSEF.

Law for the Transparency and Regulation of Financial Services

The law for the Transparency and Regulation of Financial Services aims to regulate (i) the fees charged to customers of financial institutions for the use and/or acceptance of means of payment, as with debit cards, credit cards, checks and orders for the transfer of funds; (ii) the fees that financial institutions charge to each other for the use of any payment system; and (iii) other aspects related to financial services, in an effort to make financial services more transparent and protect the interests of the users of such services. This law grants Banco de México the authority to regulate these fees and establish general guidelines and requirements relating to payment devices and credit card account statements. We must inform Banco de México of any changes in these fees before they become effective.

Financial Groups Statutory Responsibility

The Financial Groups Law requires that each financial services holding company, enter into an agreement with each of its financial services subsidiaries, which includes us. Pursuant to such agreements, the financial services holding company is responsible secondarily and without limitation for performance of the obligations incurred by its subsidiaries as a result of the authorized activities of such subsidiaries, and is fully responsible for certain losses of its subsidiaries, up to the total amount of the financial services holding company's assets. For such purposes, a subsidiary is deemed to have losses if (1) its stockholders' equity represents an amount that is less than the amount the subsidiary is required to have as minimum paid-in capital under applicable law, (2) capital and reserves are less than the subsidiary is required to have under applicable law, or (3) in the judgment of the regulatory commission supervising the subsidiary's activities, the subsidiary is insolvent and cannot fulfill its obligations.

The financial services holding company has to inform the CNBV of the existence of any such obligation or loss. The financial services holding company would only have to respond with respect to the obligations of its financial services subsidiaries fifteen business days after the CNBV delivers notice of its approval of the enforceability of such obligations. The financial services holding company responds to the losses of its subsidiaries by making capital contributions to such subsidiaries. No subsidiary is responsible for the losses of the financial services holding company or of the Financial Services holding company's subsidiaries. GFBB has entered into such an agreement with us and its other financial services subsidiaries.

Ownership Restrictions; Foreign Financial Affiliates

Ownership of a financial services holding company's capital stock is no longer limited to specified persons and entities under the Financial Groups Law and the group's corporate charter. Series F shares may be purchased, directly or indirectly, by foreign financial institutions who are residents of a country that has entered into a free trade agreement with Mexico and must represent at all times at least 51% of the paid-in capital.

Notwithstanding the above, under the Financial Groups Law, foreign entities with governmental authority cannot purchase a financial services holding company's capital stock. Mexican financial entities, including those that form part of a financial group, cannot purchase a financial services holding company's capital stock, unless such entities are qualified investors as defined in the Financial Groups Law.

In accordance with applicable law (1) the capital of banks may be composed of voting Series O shares, which may be owned both by Mexican and non-Mexican investors, by Series F shares, which may be owned only by foreign financial institutions or Series B shares, which represent a minority interest in a bank controlled by a foreign financial institution and may be owned by Mexican or foreign investors and, (2) any transfer of shares representing more than 2% of the outstanding capital stock of a Mexican bank is required to be reported to the CNBV, (3) the CNBV has been granted broader discretion to authorize the acquisition of more than 5% of the outstanding shares of a Mexican bank and (4) the composition of the boards of directors of Mexican banks has been limited to a total of 15 members and their alternates (as opposed to the former rule of 11 members or multiples thereof), 25% or more of whom must qualify as independent. Minority shareholders own our Series B shares.

The change in foreign ownership rules continued the liberalization of the Mexican banking system commenced under NAFTA. Pursuant to NAFTA, the Free Trade Agreement between Mexico and the European Union, the Free Trade Agreement between Mexico and Japan, the Free Trade Agreement between Mexico and European Free Trade Zone and applicable Mexican laws and regulations, foreign financial entities incorporated in the United States, Canada, member states of the European Union, Japan and other countries with which Mexico has executed relevant international trade agreements, or financial services holding companies formed in Mexico by such foreign financial entities, will be treated identically to Mexican investors when investing in affiliate banks and other financial entities.

A holder that acquires shares in violation of the foregoing restrictions, or in violation of the percentage ownership restrictions, will have none of the rights of a stockholder with respect to such shares and will be required to forfeit such shares in accordance with procedures set forth in the Mexican Banking Law and the Financial Groups Law.

Pension Fund Management

The Mexican Social Security Law (*Ley del Seguro Social*) established the AFORE pension system. Among other economic benefits and other services to be provided to participants in the social security system, the

Social Security Law provides that each worker may establish an independent retirement account, which is to be managed by an approved AFORE. Pursuant to the AFORE Law (*Ley de los Sistemas de Ahorro para el Retiro*), the main functions of an AFORE include, among others, (1) administering pension funds in accordance with the Social Security Law, (2) creating and administering individual pension accounts for each worker, (3) creating, administering and operating specialized pension funds (*Sociedades de Inversion Especializadas en Fondos para el Retiro*), or SIEFOREs, (4) distributing and purchasing SIEFOREs' shares, (5) contracting pension insurance and (6) distributing, in certain cases, the individual funds directly to the pensioned worker.

The AFOREs and SIEFOREs are subject to the supervision of CONSAR, which is charged with the coordination, regulation and supervision of the pension system. Under the Social Security Law, no AFORE may have more than 20% of the total market, which as of December 31, 2010, according to the CONSAR, consisted of approximately 41.2 million accounts of workers.

Related Party Transactions

The Banking Law requires that the board of directors of a bank approves any transaction in which a related party becomes a debtor of a bank. Such transactions include deposits, loans, credits, discounts and the net position of derivatives transactions. The total amount of related party transactions may not exceed 50% of Tier 1. Related parties include, among others, persons that own directly or indirectly 2% or more of the shares of the relevant bank or of its holding or other members of the financial group, directors and officers of the bank or of any entity in which the bank or its holding company have more than 10% of the shares or any corporation in which the officers and directors are part of the management.

The approval process for related party transactions is similar to any other loan, except that any loans to a related party above 1.0% of Tier 1 Capital or 2 million UDIs, which is determined based on the National Consumer's Price Index, an inflation index determined by Banco de México, must be approved by our board of directors with the favorable opinion of our credit committee.

Texas Banking Supervision and Regulation

See above under "The Texas Agency."

DESCRIPTION OF THE NOTES

We will issue a series of senior, unsecured notes (the "Notes") through our Texas Agency (the "Agency"), under an indenture, between us and The Bank of New York Mellon, as trustee, which may be amended or supplemented from time to time. This summary describes the general terms and provisions of the Notes. The description of certain provisions of the Notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the indenture and the Notes, including the definitions therein of certain terms. We urge you to read each of the indenture and the form of the Notes because they, and not this description, define your rights as a holder of Notes. In case of any conflict regarding the rights and obligations of the holders of the Notes under the indenture, the Note, and this offering memorandum, the terms of the indenture will prevail. You may obtain a copy of the indenture and the form of the Notes by contacting the trustee at the address indicated in this offering memorandum.

General

The Notes will initially be issued in the aggregate principal amount of U.S.$750,000,000 in registered form, in minimum denominations of U.S.$150,000 and integral multiples of U.S.$1,000 in excess thereof. We will issue the Notes and they will represent our general, unsecured and unsubordinated obligations.

As of February 28, 2011, we had approximately Ps 10,033 million (approximately U.S.$ 829 million) aggregate principal amount of indebtedness outstanding that ranked *pari passu* with the Notes and Ps 34,950 million (U.S.$2,887 million) outstanding demand obligations to depositors that ranked senior to the Notes.

The Notes will be unsecured and not guaranteed, or otherwise eligible for reimbursement, by the IPAB or any other Mexican governmental agency, or by any other entity that is part of Grupo Financiero BBVA Bancomer, and, by their terms, are not convertible into our shares or equity capital.

The Notes will mature and be payable in full on March 10, 2016, (the "Maturity Date") unless earlier redeemed. We may redeem the Notes in whole, but not in part, under the circumstances described below under "—Redemption—Withholding Tax Redemption." Other than in accordance with a Withholding Tax Redemption, the Notes will not be redeemable prior to the Maturity Date.

Unless other arrangements are made, payments of principal and interest on the Notes will be made as described below under "—Book-Entry System."

We will maintain an office or agency in the Borough of Manhattan, The City of New York, where the Notes may be presented for exchange or transfer. Such office or agency initially will be located at The Bank of New York Mellon, 101 Barclay Street, 4E, New York, New York, 10286, Attention: Global Finance Unit. The holders of the Notes will not have to pay a service charge to register the transfer or exchange of any Notes, but we may require that holders pay any applicable tax or other governmental charge.

The indenture and the Notes do not contain any provision that would protect the holders of the Notes against a sudden and dramatic decline in our credit quality resulting from a takeover, recapitalization or other restructuring or other event involving us that may adversely affect our credit quality.

Ranking

The Notes will rank *pari passu* without preference among themselves and with all our other Senior Indebtedness, as defined below. The Notes will be effectively subordinated to (i) all of our secured indebtedness with respect to the value of our assets securing that indebtedness, (ii) certain direct, unconditional and unsecured general obligations that in case of our insolvency are granted preferential treatment pursuant to Mexican law and (iii) all of the existing and future liabilities of our subsidiaries, including trade payables.

For the purposes of the Notes:

(1) The term Senior Indebtedness is defined in the indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the indenture or thereafter created, assumed or incurred, unless the terms thereof specifically provide that it is not superior in right of payment and in liquidation to the Subordinated Preferred Indebtedness or Subordinated Non-Preferred Indebtedness, and any deferrals, renewals or extensions of such Senior Indebtedness; and

(2) The term Indebtedness for Money Borrowed is defined in the indenture to mean any obligation of or any obligation guaranteed by us (to the extent permitted under applicable law) for the repayment of borrowed money, whether or not evidenced by notes, debentures or other written instruments, but shall not include (a) any trade accounts payable in the ordinary course of business, (b) any such indebtedness that by its terms ranks junior in right of payment and in liquidation to Senior Indebtedness, (c) indebtedness to any of our employees, (d) our indebtedness which, when incurred, was without recourse to us, and (e) any other indebtedness that would otherwise qualify as Indebtedness for Money Borrowed to the extent that such indebtedness, by its terms, ranks *pari passu* with or junior in right of payment and in liquidation to any of the indebtedness described in clause (a) or (b) above.

Principal, Interest and Maturity

Principal Maturity Date

We are issuing U.S.$750,000,000 aggregate principal amount of Notes. The Notes will mature on March 10, 2011. The Notes will not be entitled to the benefit of any sinking funds.

Interest periods

The Notes will bear interest from (and including) March 10, 2011, or the Issue Date, up to (but excluding) , (the "Maturity Date"), at a rate per annum equal to 4.500%, payable semi annually in arrears on March 10 and September 10 of each year (each an "Interest Payment Date"), commencing on September 10, 2011. The period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date up to (but excluding) the Maturity Date is called an "Interest Period." If any Interest Payment Date would otherwise fall on a date that is not a Business Day (as defined below), the required payment of interest shall be made on the next succeeding Business Day, with the same force and effect as if made on such Interest Payment Date, and no further interest shall accrue as a result of the delay. Interest on the Notes in respect of an Interest Period will be calculated on the basis of a 360-day year of twelve 30-day months. For purposes hereof, the term Business Day is defined in the indenture for the Notes as any day other than a Saturday or a Sunday, or a day on which banking institutions in The City of New York or Mexico City are authorized or required by law or executive order to remain closed.

Unclaimed Money, Prescription

If money deposited with the trustee or any agent for the payment of principal of, premium, if any, or interest or Additional Amounts (as defined below), if any, on the Notes remains unclaimed for two years, the trustee or such paying agent shall return the money to the Bank subject to applicable unclaimed property law. After that, holders of the Notes entitled to the money must look to the Bank for payment unless applicable unclaimed property law designates another person. Other than as set forth in this paragraph, the indenture does not provide for any prescription periods for the payment of principal of, premium, if any, or interest or Additional Amounts, if any, on the Notes.

Other Matters

The principal of and interest on the Notes will be payable in U.S. dollars or in such other coin or currency of the United States of America as is legal tender for the payment of public and private debts at the time of payment.

The Notes will be issued in denominations of $150,000 and any integral multiple of $1,000 in excess thereof and only in the form of beneficial interests in respect of one or more global notes registered in the name of Cede & Co., as nominee of The Depository Trust Company, or DTC. Beneficial interests in respect of the global notes will be held through securities brokers or dealers, banks or trust companies or other custodians acting on behalf of the beneficial holders of such interests as direct or indirect participants in DTC. Except in limited circumstances, owners of beneficial interests in respect of the global notes will not be entitled to receive physical delivery of Notes in certificated form. See "—Book-Entry System." No service charge will be made for any registration of, transfer or exchange of Notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Initially, the trustee will act as paying agent, transfer agent and registrar for the Notes. We have initially appointed The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg paying agent, transfer agent and listing agent. The Notes may be presented for registration of transfer and exchange at the offices of the registrar for the Notes.

Further Issuances

The Notes will be issued in an initial aggregate principal amount of U.S.$750,000,000. Without notice to or consent of the holders of the Notes offered by this offering memorandum, additional Notes may be issued under the indenture having the same ranking, interest rate, maturity date and other terms as the Notes, other than the original issue date and interest accrual date. Any additional notes, together with the Notes offered by this offering memorandum, will constitute a single series of Notes under the indenture.

Payment of Additional Amounts

All payments made by or on our behalf in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Mexico, the United States, or any other jurisdiction through which payments are made (each a "Relevant Jurisdiction") or any authority or agency therein or thereof having power to tax (collectively, "Relevant Tax") unless the withholding or deduction of such Relevant Tax is required by law. In that event, we will pay as further distributions of interest and principal such additional amounts ("Additional Amounts") as may be necessary so that the net amounts received by the holders or beneficial owners of the Notes or their nominees (collectively, holders) after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, except that no Additional Amounts will be payable to a holder (or beneficial owner) to the extent that such Relevant Tax:

(1) is imposed only by virtue of such holder (or beneficial owner) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of the Notes or, receiving payments, of any nature, on the Notes or enforcing rights under the Notes; or

(2) is imposed only by virtue of such holder or any other person having failed to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or other lack of connection with the Relevant Jurisdiction or any similar claim for exemption or reduction in the rate of withholding, if such declaration is required under applicable law, provided that (x) we have or our agent has provided the holder of the Notes or its nominee with at least 60 days' prior written notice of an opportunity to make such a declaration or claim, and (y) in no event, shall such holder's requirement to make such a declaration or claim require such holder to provide any materially more onerous information, documents or other evidence than would be required to be provided had such holder been required to file IRS Forms W-8BEN, W-8ECI, W-8EXP and/or W-8IMY; or

(3) is imposed only by virtue of such holder (or beneficial owner) not having presented the Notes (where presentation is required) for payment within 30 days after the date on which such payment becomes due and payable or the date on which such payment thereof is duly provided for,

whichever occurs earlier, except to the extent such holder would be entitled to Additional Amounts had the Notes been surrendered during such 30-day period; or

(4) is imposed pursuant to any European Council Directive regarding taxation of savings income (including European Council Directive 2003/48/EC) or pursuant to any law implementing or complying with, or introduced in order to conform to any such Directive; or

(5) is imposed on a Note presented for payment (where presentation is required) by a holder (or beneficial owner) that could have avoided such Relevant Tax by presenting such Note to another paying agent in a member state of the European Union; or

(6) in the event the holder is a fiduciary, a partnership or any person other than the sole beneficial owner of such payment, would not have been imposed had the beneficiary or settlor with respect to such fiduciary, member of such partnership or beneficial owner of such payment been the actual holder of the Note; or

(7) is an estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment; or

(8) is imposed as a result of any combination of (1) through (7) above.

We will also (1) make such withholding or deduction and (2) remit the full amount withheld or deducted to the relevant taxing authority in the Relevant Jurisdiction in accordance with applicable law.

We will furnish to the trustee, within 30 Business Days after the date of payment of any such taxes or the receipt of any credit or refund in respect to such taxes, an officer's certificate and other documentation acceptable to the trustee, including certified copies of returns, evidencing such payment (or credit or refund received) by us. Upon written request made by the holders to the trustee, copies of such officer's certificate or other documentation, as the case may be, will be made available to the holders.

To give effect to the foregoing, we will, upon the written request of any holder, indemnify and hold harmless and reimburse the holder for the amount of any Relevant Taxes (other than any Relevant Taxes for which the holder would not have been entitled to receive Additional Amounts pursuant to any of the conditions described in the first paragraph of this section titled "Payment of Additional Amounts") so imposed on, and paid by, such holder as a result of any payment of principal or interest on the Notes, so that the net amount received by such holder after such reimbursement will not be less than the net amount the holder would have received if such Relevant Tax had not been imposed or levied and so paid. Holders will be obligated to provide reasonable documentation in connection with the foregoing.

We will also pay any stamp, administrative, court, documentary, excise or similar taxes arising in a Relevant Jurisdiction in connection with the Notes and will indemnify the holders for any such taxes paid by holders.

All references to principal or interest payable on the Notes shall be deemed to include any Additional Amounts payable by us under the Notes or the indenture. The foregoing obligations shall survive any termination, defeasance or discharge of the Notes and the indenture.

If we shall at any time be required to pay Additional Amounts to holders pursuant to the terms of the Notes and the indenture, we will use our reasonable efforts to obtain an exemption from the payment of the Relevant Tax that has resulted in the requirement that we pay such Additional Amounts.

We undertake to comply with European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, or the Savings Directive, that may be brought into force and to use our best efforts to maintain a paying agent in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

In the event that Additional Amounts actually paid with respect to the Notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of the Notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, such holder shall, by accepting the Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto. We will inform the trustee of the refund or credit within 30 Business Days of our determination that we are entitled to receive such refund or credit.

Redemption

Withholding tax redemption

We have the option under the indenture for the Notes to redeem the Notes at any time prior to the Maturity Date, in whole but not in part, at par plus accrued and unpaid interest due on, or with respect to, the Notes upon the occurrence of a Withholding Tax Event (as defined below) affecting the Notes, (a "Withholding Tax Redemption"); provided, however, in the event of such a Withholding Tax Redemption, we shall be in compliance with applicable Mexican regulations in effect on the applicable Redemption Date.

For the purposes of the foregoing, the term Withholding Tax Event is defined in the indenture to mean (i) the receipt by us and the delivery to the trustee of an opinion of a nationally recognized law firm experienced in such matters to the effect that, as a result of (a) any amendment to or change (including any announced prospective change) in the laws or treaties (or any regulations thereunder) of any Relevant Jurisdiction affecting taxation, (b) any judicial decision, official administrative pronouncement or regulatory procedure, of any Relevant Jurisdiction, (each an "Administrative Action"), or (c) any amendment to or change in the official position or the official interpretation of such Administrative Action that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction, irrespective of the manner in which such amendment or change is made known, which amendment or change is effective or such pronouncement or decision is announced on or after the date of issuance of the Notes, (collectively, a "Change in Tax Law"), there is more than an insubstantial risk that we are or will be liable for more than a *de minimis* payment of Additional Amounts in respect of the Notes in excess of the gross amount of Additional Amounts payable in respect the Notes prior to such Change in Tax Law and (ii) the delivery to the trustee of a certificate signed by our chief financial officer stating that the requirement to make such withholding or deduction cannot be avoided by taking reasonable measures available to us (such measures not involving any material cost to us or the incurring by us of any other tax or penalty).

Redemption procedures

If we give a notice of a Withholding Tax Redemption in respect of the Notes, by 12:00 noon, New York City time, on the applicable Redemption Date, to the extent funds are legally available, with respect to the Notes being redeemed and held by The Depositary Trust Company ("DTC") or its nominee, the trustee or the Paying Agent will pay the applicable redemption price to DTC. Such notice will also be made in accordance with the procedure set forth in "—Notices." With respect to the Notes being redeemed and held in certificated form, the trustee, to the extent funds are legally available, will pay the applicable redemption price to the holders thereof upon surrender of their certificates evidencing the Notes. Interest payable on or prior to the Redemption Date shall be payable to the holders of the Notes on the relevant record dates. If notice of redemption shall have been given and funds deposited with the trustee to pay the applicable redemption price for the Notes being redeemed, then upon the date of such deposit, all rights of the holders of the Notes will cease, except the right of the holders of the Notes to receive the applicable redemption price, but without interest on such redemption price, and the Notes will cease to be outstanding. In the event that any Redemption Date in respect of the Notes, is not a Business Day then the applicable redemption price payable on such date will be paid on the next succeeding day that is a Business Day (without any interest or other payment in respect of any such delay) with the same force and effect as if made on such date. In the event that payment of the applicable redemption price is improperly withheld or refused and not paid by us (1) interest due on the Notes being redeemed will continue to accrue at the then applicable rate, from the

Redemption Date originally established by us to the date such applicable redemption price is actually paid, and (2) the actual payment date will be the Redemption Date for purposes of calculating the applicable redemption price.

We shall deliver notice of any redemption to the trustee at least 40 days prior to the applicable Redemption Date. The trustee shall in turn mail notice of any such redemption to each holder of the Note at least 30 days but not more than 60 days prior to the Redemption Date to each holder of the Notes in accordance with the procedures described in the indenture. Unless we default in payment of the applicable amounts due on, or in the repayment of, the Notes, on and after the applicable Redemption Date, interest due will cease to accrue on the Notes called for redemption.

Rule 144A Information

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer shall furnish, upon the request of any holder, such information as is specified in Rule 144A(d)(4) under the Securities Act: (i) to such holder, (ii) to a prospective purchaser of such Note (or beneficial interests therein) who is a qualified institutional buyer ("QIB") designated by such holder and (iii) to the trustee for delivery to any applicable holders or such prospective purchaser so designated, in each case in order to permit compliance by such holder with Rule 144A in connection with the resale of such Note (or beneficial interest therein) in reliance upon Rule 144A. All such information shall be in the English language.

Modification of indenture; waiver of covenants

We and the trustee may, without the consent of any holders of Notes, amend, waive or supplement each of the indenture or the Notes in certain circumstances, including, among other things, to cure any ambiguity, omission, defect or inconsistency, to conform the text of the indenture or the Notes to any provision in this "Description of Notes" and to make any change that does not adversely affect the rights of any relevant holder in any material respect. In addition, we and the trustee may amend, waive or supplement the indenture or the Notes with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding Notes. However, without the consent of the holder of each Note, we may not, among other things:

- change the maturity date of the principal of or any interest payment date (or periods on any Note);
- reduce the principal amount of or interest on any Note;
- change the currency of payment of principal or interest on any Note;
- modify any other payment provision of any Note;
- impair the right to sue for the enforcement of any payment on or with respect to any Note; or
- reduce the percentage in principal amount of outstanding Notes that is required for the consent of the holders in order to modify or amend the indenture or to waive compliance with some provisions of the indenture or to waive some defaults.

The holders of a majority in aggregate principal amount of the outstanding Notes may waive any past default or Event of Default under the indenture, except a default under a provision that cannot be modified without the consent of each holder of a Note that would be affected.

Indebtedness, Liens, Dividends, Reserves and Maintenance of Properties

The indenture does not limit our ability to incur additional Senior Indebtedness (including additional notes), our ability to grant liens on our assets and properties, our payment of dividends or require us to create or maintain any reserves.

We may not dispose of and must maintain and keep in good condition any tangible property useful in the conduct of our business, unless such disposal or the discontinuance of its maintenance is, in our judgment, desirable in the conduct of our business and not disadvantageous in any material respect to the holders of the Notes.

Covenants

We have agreed to restrictions on our activities for the benefit of holders of the Notes. The following restrictions will apply separately to the Notes:

Consolidation, Merger, Sale or Transfer of Assets

We may not, without the consent of holders of at least 66 2/3% in aggregate principal amount of the outstanding (as defined in the indenture) Notes, consolidate with or merge into, or convey or transfer, in one transaction or a series of transactions, all or substantially all of our properties and assets to any person, unless:

(1) the resulting entity, if other than us, is organized and existing under the law of Mexico and assumes all of our obligations to:

(x) pay the principal of, and interest on, the Notes; and

(y) perform and observe all of our other obligations under the indenture; and

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both would become an Event of Default, shall have happened and be continuing, and

(3) we shall have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with the foregoing provisions relating to such transaction and all conditions precedent in the indenture relating to such a transaction have been complied with. In case of any such consolidation, merger, conveyance or transfer, such successor corporation will succeed to and be substituted for us as obligor on the Notes with the same effect as if it had issued the Notes. Upon the assumption of our obligations by any such successor corporation in such circumstances subject to certain exceptions, we will be discharged from all obligations under the Notes and the indenture.

Periodic Reports

So long as any Notes of a particular series are outstanding, we will furnish to the trustee:

(a) Within 120 days following the end of each of our fiscal years, (i) our consolidated audited income statements, balance sheets and cash flow statements and the related Notes thereto for the two most recent fiscal years in accordance with Mexican Banking GAAP (''GAAP''), which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission, together with an audit report thereon by our independent auditors, (ii) the English version of our annual financial statements and (iii) our annual financial information included in the English version of our annual report as provided to our shareholders; and

(b) Within 60 days following the end of the first three fiscal quarters in each of our fiscal years, (i) quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related Notes thereto for us and our consolidating subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission and (ii) our quarterly financial information included in the English version of our quarterly report as provided to our Bancomer.

None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K as promulgated by the U.S. Securities and Exchange Commission. In addition, we shall furnish to the holders of each series of the Notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as such Notes are not freely transferable under the Exchange Act by Persons who are not ''affiliates'' under the Securities Act.

In addition, if and so long as the Notes of a particular series are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, copies of such reports and information furnished to the trustee will also be made available at the specified office of the paying agent in Luxembourg.

Events of Default, Notice and Waiver

An Event of Default is defined in the indenture as:

- a default in the payment of the principal due and payable of the Notes, as applicable under the indenture;

- a default for 30 calendar days in the payment of interest or Additional Amounts due and payable on the Notes, as applicable under the indenture;

- our default in the performance or observance of any other term, covenant, warranty, or obligation in respect of the Notes or the indenture, not otherwise expressly defined as an Event of Default in (i) or (ii) above, and the continuance of such default for more than 60 days after written notice of such default has been given to us by the trustee or the holders of at least 25% in aggregate principal amount of the Notes outstanding specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default;"

- certain events involving our bankruptcy (including *concurso mercantil* or *quiebra*), liquidation or dissolution; or

- if any of our Indebtedness (as defined below) or that of our subsidiaries becomes due and repayable prematurely by reason of an event of default (however described) or we or any of our subsidiaries fails to make any payment in respect of any Indebtedness on the due date for such payment or within any originally applicable grace period or any security given by us or any of our subsidiaries for any Indebtedness becomes enforceable and steps are taken to enforce the same or if we or any of our subsidiaries default in making any payment when due (or within any originally applicable grace period in respect thereof) under any guarantee and/or indemnity given by us or such subsidiary (as the case may be) in relation to any Indebtedness of any other person, provided that no such event as aforesaid shall constitute an Event of Default unless such Indebtedness either alone or when aggregated with other Indebtedness in respect of which one or more of the events mentioned in this paragraph (v) has occurred shall amount to at least U.S.$50,000,000 (or its equivalent in any other currency on the basis of the middle spot rate for any relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates).

The indenture provides that (i) if an Event of Default (other than an Event of Default described in clause (iv) above) shall have occurred and be continuing with respect to the Notes, either the trustee or the holders of not less than 25% of the total principal amount of the Notes then outstanding may declare the principal of all outstanding Notes and the interest accrued thereon, if any, to be due and payable immediately and (ii) if an Event of Default described in clause (iv) above shall have occurred, the principal of all outstanding Notes and the interest accrued thereon, if any, shall become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of Notes. The indenture provides that the Notes owned by us or any of our affiliates shall be deemed not to be outstanding for, among other purposes, declaring the acceleration of the maturity of the Notes. Upon the satisfaction by us of certain conditions, the declaration described in clause (i) of this paragraph may be annulled by the holders of a majority of the total principal amount of the Notes then outstanding. Past defaults, other than non-payment of principal, interest and compliance with certain covenants, may be waived by the holders of a majority of the total principal amount of the Notes outstanding.

Holders may not enforce the indenture or the Notes except as provided in the indenture. The holder of any Note, however, will have the right to receive payment of the principal of and interest on that Note on or after the due dates, Redemption Dates or Maturity Date expressed in the indenture or such Note and, subject limitations and conditions set forth in the Note and the indenture, to institute a lawsuit for the enforcement of any such payment on or after such respective dates. The trustee may refuse to enforce the indenture or the Notes unless it receives indemnity or security satisfactory to it. Subject to certain limitations, holders of a majority in principal amount of the outstanding Notes may direct the trustee under the indenture in its exercise of any trust or power in respect thereof. The trustee may withhold from holders notice of any continuing Event of Default (except a default in payment of principal or interest) if the trustee in good faith determines that withholding notice is in their interest.

Under the indenture, we must furnish the trustee annually with a statement regarding any default in the performance of our obligations thereunder.

Notices

Notice to holders of the Notes will be given by mail to the addresses of such holders as they appear in the security register.

For so long as the Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange, the notices will be published in a leading newspaper having general circulation in Luxembourg (expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange, www.bourse.lu.

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices will be mailed to holders of Notes at their registered addresses in Luxembourg.

Book-Entry System

The Notes will be represented by one or more global notes.

The global notes representing the Notes will be issued in the form of one or more registered notes in global form, without interest coupons and will be deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The Notes are being offered and sold in this initial offering in the United States solely to qualified institutional buyers under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following this offering, the Notes may be sold:

- to qualified institutional buyers under Rule 144A;
- to non-U.S. persons outside the United States in reliance on Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under "Transfer Restrictions."

Rule 144A Global Notes

Notes offered and sold to qualified institutional buyers under Rule 144A are referred to collectively as the "Rule 144A Global Notes." Interests in the Rule 144A Global Notes will be available for purchase only by qualified institutional buyers.

Regulation S Global Notes

Notes offered and sold in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933 to persons which are non-U.S. persons are referred to collectively as the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes."

On or prior to the 40th day after the date of issuance of the Notes sold pursuant to Regulation S, any resale or transfer of beneficial interests in the Regulation S Global Notes to U.S. persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Investors may hold their interest in a Global Note representing the Notes through organizations that are participants in DTC (including, Euroclear or Clearstream, Luxembourg).

Exchanges among the Global Notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note representing the Notes to a transferee who takes delivery of that interest through a Rule 144A Global Note representing the Notes will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferee of the beneficial interest in the form provided in the relevant indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A.

Transfers by an owner of a beneficial interest in a Rule 144A Global Note representing the Notes to a transferee who takes delivery of the interest through a Regulation S Global Note representing the Notes will be made only upon receipt by the trustee of a certification from the transferor that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S or, if available, Rule 144A under the Securities Act.

Any beneficial interest in one of the Global Notes representing the Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note representing the Notes will, upon transfer, cease to be an interest in that Global Note and become an interest in the other Global Note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Book-entry procedures for the Global Notes

Ownership of beneficial interests in a Global Note representing the Notes will be limited to DTC and to persons that may hold interests through institutions that have accounts with DTC. Beneficial interests in a Global Note will be shown on, and transfers of those ownership interests will be effected only through, records maintained by DTC, and its respective participants for that Global Note. The conveyance of notices and other communications by DTC to its participants and by its participants to owners of beneficial interests in the Notes will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect.

DTC holds the securities of its respective participants and facilitates the clearance and settlement of securities transactions among its respective participants through electronic book-entry changes in accounts.

Principal and interest payments on the Notes represented by a Global Note will be made to DTC, as the sole registered owner and the sole holder of the Notes represented by the Global Note for all purposes under the corresponding indenture. Accordingly, we, the trustee and any paying agent will have no responsibility or liability for:

- any aspect of DTC's records relating to, or payments made on account of, beneficial ownership interests in a Note represented by a Global Note;
- any other aspect of the relationship between DTC and its participants or the relationship between those participants and the owners of beneficial interests in a Global Note held through those participants; or
- the maintenance, supervision or review of any of DTC's records relating to those beneficial ownership interests.

DTC

DTC has advised us that upon receipt of any payment of principal of or interest on a Global Note representing the Notes, DTC will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of that Global Note as shown on DTC's records. The initial purchasers of the Notes will initially designate the accounts to be credited. Payments by participants to owners of beneficial interests in a Global Note will be governed by standing instructions and customary practices, as is the case with securities held for customer accounts registered in "street names," and will be the sole responsibility of those participants.

The Notes represented by a Global Note can be exchanged for definitive Notes of the same series in registered form only if:

- DTC notifies us that it is unwilling or unable to continue as depositary for that Global Note or at any time DTC ceases to be a clearing agency registered under the Exchange Act, and a successor depositary is not appointed by us within 90 calendar days; we, in our sole discretion, determine that such Global Note will be exchangeable for definitive Notes in registered form and notify the trustee of our decision; or an Event of Default with respect to the Notes of such series represented by that Global Note has occurred and is continuing.
- A Global Note representing the Notes that can be exchanged under the preceding sentence will be exchanged for definitive Notes that are issued in authorized denominations in registered form for the same aggregate amount. Those definitive Notes will be registered in the names of the owners of the beneficial interests in the relevant Global Note as directed by DTC and may bear the legend as set forth under "Transfer Restrictions."

Registrar, Transfer Agent and Paying Agents

The trustee will act as registrar for the Notes. The trustee will also act as transfer agent and paying agent for the Notes. We have the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents in respect of the Notes. Registration of transfers of the Notes will be effected without charge, but upon payment (with the giving of such indemnity as we may require) in respect of any tax or other governmental charges that may be imposed in relation to it. We will not be required to register or cause to be registered the transfer of the Notes after the Notes have been called for redemption.

For so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, we will maintain a paying agent in Luxembourg. We have initially appointed The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg paying agent, transfer agent and listing agent. To the extent that the Luxembourg paying agent is obliged to withhold or deduct tax on payments of interest or similar income, we will, to the extent permitted by law, ensure that it maintains an additional paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the European Council of

Economic and Finance Ministers (ECOFIN) meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange (the "LSE") and for admission to trading on the Euro MTF market of the Luxembourg Stock Exchange. We will use our reasonable best efforts to maintain such listing, *provided* that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive we could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare its published financial information, or we determine that it is unduly burdensome to maintain a listing on the LSE, we may delist the Notes from the EuroMTF in accordance with the rules of the Luxembourg Stock Exchange and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as we may decide. Although there is no assurance as to the liquidity that may result from a listing on the LSE, delisting the Notes from the LSE may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

The Trustee

The Bank of New York Mellon will act as trustee under the indenture. Notices to the trustee should be directed to the trustee at its Corporate Trust Office, located at 101 Barclay Street, 4 East, New York, NY 10286, Attn: Global Finance Unit. The trustee also will initially act as registrar, paying agent and agent for service of demands and notices in connection with the Notes and the indenture. The trustee may resign or be removed under circumstances described in the indenture and we may appoint a successor trustee to act in connection with the Notes. Any action described in this offering memorandum to be taken by the trustee may then be taken by the successor trustee.

The trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with us or our affiliates with the same rights it would have if it were not trustee. Any paying agent, registrar or co-registrar may do the same with like rights.

The indenture contains some limitations on the right of the trustee should it become a creditor of ours, to obtain payment of claims in some cases or to realize on some property received regarding any such claim, as security or otherwise. The trustee will be permitted to engage in transactions with us. The occurrence of a default under the indenture could create a conflicting interest for the trustee. In this case, if the default has not been cured or waived within 90 days after the trustee has or acquires a conflicting interest, the trustee generally is required to eliminate the conflicting interest or resign as trustee for the Notes. In the event of the trustee's resignation, we will promptly appoint a successor trustee for the Notes.

The trustee may be removed by the holders of a majority of the outstanding Notes if an Event of Default under the corresponding indenture has occurred and is continuing. No resignation or removal of the trustee and no appointment of a successor trustee shall be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the indenture.

Governing Law; Consent to Jurisdiction

The indenture and the Notes will be governed by, and construed in accordance with, the law of the State of New York.

We will consent to the jurisdiction of the Supreme Court of the State of New York, County of New York or the United States District Court for the Southern District of New York and will agree that all disputes under the indenture may be submitted to the jurisdiction of such courts. We will irrevocably consent to and waive to the fullest extent permitted by law any objection that we may have to the laying of venue of any suit, action or proceeding against us or our properties, assets and revenues with respect to the indenture or any such suit, action or proceeding in any such court and any right to which we may be entitled on account of place of residence or domicile.

To the extent that we or any of our revenues, assets or properties shall be entitled to any immunity from suit, from the jurisdiction of any such court, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process remedy, we will irrevocably agree not to claim and will irrevocably waive such immunity to the fullest extent permitted by the laws of such jurisdiction.

We will agree that service of all writs, claims, process and summons in any suit, action or proceeding against us or our properties, assets or revenues with respect to the indenture or any suit, action or proceeding to enforce or execute any judgment brought against us in the State of New York may be made upon CT Corporation System, 111 Eighth Avenue, New York, New York 10011, and we will irrevocably appoint CT Corporation System as our agent to accept such service of any and all such writs, claims, process and summonses.

Currency Rate Indemnity

We have agreed that, if a judgment or order made by any court for the payment of any amount in respect of any Notes is expressed in a currency other than U.S. dollars, we will indemnify the relevant holder against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from our other obligations under the indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the indenture or the Notes.

Replacement of Notes

In case of mutilated, destroyed, lost or stolen Notes, application for replacement thereof may be made to the trustee or us. Any such Note shall be replaced by the trustee in compliance with such procedures, on such terms as to evidence and indemnification as the trustee and we may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes shall be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

TRANSFER RESTRICTIONS

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes you will be deemed to have made the following acknowledgements, representations to and agreements with the initial purchasers and us:

1. You acknowledge that:

- The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act;
- the Notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
- unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:

- you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the Notes to you in reliance on Rule 144A; or
- you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the initial purchasers nor any person representing us or the initial purchasers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) to us or any of our subsidiaries;

(b) under a registration statement that has been declared effective under the Securities Act;

(c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales that occur outside the United States to non-U.S. purchasers within the meaning of Regulation S under the Securities Act; or

(e) under any other available exemption from the registration requirements of the Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller's or account's control.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is two years (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the closing date and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;

- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee; and

- each Note will contain a legend substantially to the following effect:

THIS IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

UNTIL [IN THE CASE OF THE 144A NOTES: ONE YEAR] [IN THE CASE OF THE REGULATION S NOTES: 40 DAYS] AFTER THE COMMENCEMENT OF THE OFFERING, AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.

THE NOTE REPRESENTED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (2) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON THE HOLDER'S BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULES 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (5) PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, ACCOMPANIED BY AN OPINION OF COUNSEL REGARDING THE AVAILABILITY OF SUCH EXEMPTION OR (6) TO THE ISSUER OR AN AFFILIATE OF THE ISSUER AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN THIS LEGEND.

5. You represent that either (i) you are not, and you are not purchasing the Notes with the assets of, or for or on behalf of, (1) an employee benefit plan (as defined in Section 3(3) of ERISA), (2) any other plan or arrangement that is subject to ERISA or Section 4975 of the Code, or (3) any governmental, church or non-U.S. plan or other arrangement (a "Non-ERISA Arrangement"), that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Laws"), (each of (1), (2), and (3), a "Plan"), or any entity whose underlying assets are deemed to be the assets of a Plan pursuant to 29 C.F.R. Section 2510.3-101 (as modified by Section 3 (42) of ERISA) or otherwise or (ii) your purchase, holding and disposition of the Notes is exempt from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code (or, in the case of a Non-ERISA Arrangement from any Similar Laws) pursuant to the exemption provided by U.S. Department of Labor Prohibited Transaction Class Exemption 96-23, 95-60, 91-38, 90-1 or 84-14, Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or another applicable statutory or administrative exemption (or, in the case of any governmental, church or non-U.S. plan, a substantially similar exemption under Similar Law).

6. You acknowledge that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify us and the initial purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

Each purchaser that is acquiring Notes pursuant to Regulation S under the Securities Act represents that it is not acquiring the Notes with a view to the resale, distribution or other disposition thereof to a U.S. person or in the United States.

TAXATION

Certain United States Federal Income Tax Consequences

The following summary describes certain United States federal income tax consequences pertaining to the acquisition, ownership and disposition of the Notes. Unless otherwise stated, this summary deals only with Notes held as capital assets by United States holders (as defined below) who purchased the Notes upon original issuance at their original offering price. As used in this offering memorandum, a "United States holder" means, for United States federal income tax purposes, a beneficial owner of the Notes who is: (i) an individual citizen or resident of the United States; (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) a trust if (a)(1) a United States court is able to exercise primary supervision over the trust's administration and (2) one or more United States persons have the authority to control all of the trust's substantial decisions or (b) it has validly elected to be treated as a United States person for United States federal income tax purposes. This summary does not deal with special classes of holders such as banks or other financial institutions, thrifts, real estate investment trusts, regulated investment companies, insurance companies, brokers or dealers in securities or currencies, tax-exempt investors, investors that own or have owned stock constituting 10% or more of our total combined voting power (whether such stock is directly, indirectly or constructively owned), securities traders who elect to use the mark-to-market method of accounting for their securities holdings, United States expatriates, or persons who hold the Notes as part of a hedge or an integrated investment (including a "straddle") or as other than a capital asset. This summary does not address the tax consequences to United States holders that have a functional currency other than the U.S. dollar or the tax consequences to shareholders, partners, or beneficiaries of a holder of Notes. Further, this summary does not include any description of any alternative minimum tax consequences or any description of the tax laws of any state or local government or of any foreign government that may be applicable to the Notes. This summary is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change, possibly on a retroactive basis, and to different interpretations.

If a partnership (including any entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of the Notes, the United States federal income tax treatment of a partner in the partnership generally will depend upon the status of the partner and upon the activities of the partnership. A holder of the Notes that is a partnership and partners in such partnership should consult their own tax advisors as to the United States federal income tax consequences of acquiring, holding and disposing of the Notes.

THIS DISCUSSION HAS BEEN WRITTEN TO SUPPORT THE MARKETING OF THE NOTES. IT WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING UNITED STATES FEDERAL INCOME TAX PENALTIES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS AS TO THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS.

United States holders

Interest income and original issue discount. The Notes are expected to be issued for an amount equal to their stated principal amount and, accordingly, should not be considered to be issued with original issue discount. As a result, each United States holder of Notes should include interest income on the Notes in its income in accordance with its normal method of accounting. Payments of interest on a Note (which may include Additional Amounts) will generally be taxable to a United States holder as ordinary interest income when such interest is accrued or received, in accordance with the United States holder's regular method of tax accounting.

Redemption, sale or other taxable disposition of the Notes. Upon redemption, sale or other taxable disposition of the Notes, a United States holder will recognize gain or loss equal to the difference between the amount realized on the sale of the Notes and the United States holder's adjusted tax basis in such Notes (less an amount equal to any accrued but unpaid interest, which will be treated as such). Such gain or loss will be a capital gain or loss and will be long-term capital gain or loss if the Notes have been held for more than one year at the time of sale.

Certain non-United States holders

As used in this offering memorandum, the term "Non-United States holder" means a beneficial owner of the Notes that is neither a United States holder nor a partnership (or other entity classified as a partnership for United States federal income tax purposes).

A Non-United States holder generally will not be subject to withholding of United States federal income tax on payments in respect of the Notes. In addition, a Non-United States holder will not be subject to United States federal income or withholding tax on gain realized on the sale or exchange of the Notes, unless (1) such gain is effectively connected with the conduct by the Non-United States holder of a trade or business in the United States (and, if required under an applicable income tax treaty, is attributable to a permanent establishment or, in the case of an individual Non-United States holder, a fixed base maintained in the United States by the Non-United States holder), or (2) in the case of gain realized by an individual Non-United States holder, the Non-United States holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met. If the first exception (1) applies, the Non-United States holder generally will be subject to tax at a rate of 30% on the amount by which the gains derived from the sales that are from United States sources exceed capital losses allocable to United States sources. If the second exception (2) applies, the Non-United States holder generally will be subject to United States federal income tax with respect to the gain in the same manner as a United States holder, as described above. In addition, if such Non-United States holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Information reporting and backup withholding

A United States holder (other than an "exempt recipient," which includes certain recipients that, when required, demonstrate their exempt status) may be subject to backup withholding at the applicable statutory rate on, and to information reporting requirements with respect to, payments of principal or interest on, and to proceeds from the sale, exchange or other taxable disposition, including a redemption, of the Notes. In general, if a non-corporate United States holder subject to information reporting fails to furnish a correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements, backup withholding may apply. The backup withholding tax is not an additional tax and may be credited against a United States holder's regular United States federal income tax liability or refunded, provided the required information is timely furnished to the IRS.

Non-United States holders are generally exempt from backup withholding so long as such Non-United States holders provide us (or our paying agent) with a properly executed appropriate IRS Form W-8 (or other applicable form). Backup withholding is not an additional tax. Any backup withholding tax generally will be allowed as a credit or refund against the Non-United States holder's United States federal income tax liability, provided that the required information is timely furnished to the IRS.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS.

Certain Mexican Income Tax Consequences

The following summary contains a description of the principal Mexican Federal tax consequences of the purchase, ownership and disposition of Notes by a Non-Mexican Holder (as defined below). It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Notes. In addition, it does not describe any tax consequences: (1) arising under the laws of any taxing jurisdiction other than Mexico, (2) arising under the laws of any state or municipality within Mexico, or (3) that are applicable to a resident of Mexico for tax purposes.

A "Non-Mexican Holder" is a holder who is not a resident of Mexico for tax purposes, as defined by the Mexican Federal Fiscal Code (*Código Fiscal de la Federación*), or that does not conduct a trade or business in Mexico through a permanent establishment for tax purposes in Mexico. Under Mexico's tax laws, a natural person is a resident of Mexico for tax purposes if the individual has established his or her home in Mexico. In the event the individual also has a home in another country, the individual will be deemed a resident of Mexico for tax purposes when his or her "center of vital interests" is in Mexico. A "center of vital interests" is deemed to be in Mexico if, among other considerations: (1) more than 50% of an individual's total income in any calendar year qualifies as Mexican source income, or (2) when an individual's center of professional activities is located in Mexico. Mexican nationals who file a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico, in which his or her income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years. Mexican nationals are deemed Mexican residents for tax purposes, unless such nationals can demonstrate otherwise. A legal entity is a resident of Mexico if it is organized under the laws of Mexico, or if the main administration of its business or its place of effective management is established in Mexico.

This summary is based upon Mexican Income Tax Law and Mexican Federal Fiscal Code in effect as of the date of this offering memorandum, which are subject to change. Prospective purchasers of the Notes should consult their own tax advisers as to the Mexican or other tax consequences of the purchase, ownership and disposition of Notes, including, in particular, the effect of any foreign state or municipal or local tax laws. The acquisition of the Notes of either or both series by an investor who is a resident of Mexico will be made under its own responsibility. Residents of Mexico who become holders of Notes of either series are urged to notify us upon their acquisition of the Notes.

Mexico has entered into, and is negotiating several, tax treaties with various countries, that may affect the Mexican withholding tax liability of Non-Mexican Holders. Prospective purchasers of the Notes should consult their own tax advisers as to the tax consequences, if any, of such treaties.

Under the Mexican Income Tax Law, and the regulations thereunder, principal and interest on the Notes (which includes any amounts paid in excess of the issue price for the Notes, which under Mexican law is deemed to be interest) paid by us, through our Houston Agency, to a Non-Mexican Holder will not be subject to Mexican withholding or other similar taxes.

Capital gains realized from the sale or other disposition of the Notes by a Non-Mexican Holder will not be subject to any Mexican income or other taxes.

A Non-Mexican Holder will not be liable for Mexican estate, gift, inheritance or similar taxes with respect to the acquisition, ownership, or disposition of the Notes, nor will it be liable for any Mexican stamp, issue, registration or similar taxes.

CERTAIN ERISA CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan (as defined in Section 3(3) of ERISA) (a "Plan"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as any plan or arrangement subject to Section 4975 of the Code, including, without limitation, individual retirement accounts and Keogh plans (also "Plans") and any entity whose underlying assets are deemed to be the assets of a Plan pursuant to 29 C.F.R. Section 2510.3-101 (as modified by Section 3 (42) of ERISA) or otherwise, from engaging in certain transactions involving "plan assets" with any persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("Parties in Interest") with respect to such Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those Parties in Interest, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) ("Non-ERISA Arrangements") are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, non-U.S. or other regulations, rules or laws ("Similar Laws").

The acquisition, holding and/or disposition of the Notes by a Plan or any entity whose underlying assets are deemed to be the assets of a Plan with respect to which we or certain of our affiliates is or becomes a Party in Interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired, held or disposed of pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or "PTCEs," that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more than "adequate consideration" in connection with the transaction (the "service provider exemption").

Any purchaser or holder of a Note or any interest therein, including any transferee of such Note or interest, will be deemed to have represented and warranted by its purchase and holding of the Notes that it either (1) is not a Plan or a Non-ERISA Arrangement and is not purchasing those Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement or (2) the purchase, holding and disposition of the Notes is exempt from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code (or, in the case of a Non-ERISA

Arrangement, from any Similar Laws) pursuant to the PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, the service provider exemption or another applicable statutory or administrative exemption (or, in the case of a Non-ERISA Arrangement, a substantially similar exemption under Similar Law).

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any purchase, holding or disposition of the Notes under Similar Laws, as applicable. If you are an insurance company or the fiduciary of a Plan or a Non-ERISA Arrangement, and propose to invest in Notes, you should consult your legal counsel.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated March 3, 2011 we have agreed to sell to the initial purchasers and the initial purchasers have severally agreed to purchase, the principal amount of the Notes opposite their name on the table herein. For purposes of the Purchase Agreement due to certain timing matters relating to the offering of the Notes in various jurisdictions, the sale of the Notes occurred on March 3, 2011. The settlement and delivery of the Notes will be made against payment therefore on or about the date specified on the cover page of this offering memorandum, March 10, 2011, which is longer than the T+3 standard convention with respect to the settlement cycle for trades in the secondary market.

Initial Purchasers of the Notes	Principal Amount
Deutsche Bank Securities Inc.	U.S.$300,000,000
Goldman, Sachs & Co.	U.S.$300,000,000
BBVA Securities Inc.	U.S.$150,000,000
Total	U.S.$750,000,000

The purchase agreement provides that the initial purchasers are obligated to purchase all of the Notes if any are purchased. The purchase agreement also provides that if an initial purchaser defaults, the purchase commitments of non-defaulting initial purchasers may be increased or the offering may be terminated.

The initial purchasers propose to offer the Notes initially at the offering price on the cover page of this offering memorandum and may also offer the Notes to selling group members at the offering price less a selling concession. After the initial offering, the offering price may be changed. The offering of the Notes by the initial purchasers is subject to receipt and acceptance and subject to the initial purchasers' right to reject any order in whole or in part.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to persons in offshore transactions in reliance on Regulation S under the Securities Act. Each of the initial purchasers has agreed that, except as permitted by the purchase agreement, it will not offer, sell or deliver the Notes (1) as part of its distribution at any time, or (2) otherwise until 40 days after the later of the commencement of this offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells the Notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of such Notes within the United States, or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the Notes are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

BBVA Securities Inc., an affiliate of BBVA, which holds a controlling interest in our parent GFBB, will act as joint bookrunner in this offering together with Deutsche Bank Securities Inc. and Goldman, Sachs & Co., and as an initial purchaser in this offering.

United Kingdom

Each of the initial purchasers has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer to the public of any Notes which are the subject of the offering contemplated by this offering memorandum may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the initial purchasers; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall result in a requirement by us or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and the amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State in question) and includes any relevant implementing measure in that Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and

Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each initial purchaser has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Mexico

The Notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the CNBV, and may not be offered or sold publicly, or otherwise be subject of brokerage activities in Mexico, except pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law. As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Notes outside of Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for information purposes and the delivery and the acceptance by the CNBV of such notice, does not imply any certification as to the investment quality of the Notes or our solvency, liquidity or credit quality.

General

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

The initial purchasers and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The initial purchasers or their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including commercial banking, financial advisory and investment banking services, for us and our affiliates in the ordinary course of business.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the issuer.

We have agreed to indemnify the several initial purchasers against liabilities or to contribute to payments which they may be required to make in that respect.

We have applied to have the Notes admitted for listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. The initial purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

The initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.

- Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the Notes in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of the Notes are made. Any resale of the Notes in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the Notes.

Representations of Purchasers

By purchasing Notes in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the Notes without the benefit of a prospectus qualified under those securities laws,
- where required by law, that the purchaser is purchasing as principal and not as agent,
- the purchaser has reviewed the text above under Resale Restrictions, and
- the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the Notes to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available on request.

Rights of Action – Ontario Purchasers Only

Under Ontario securities legislation, a purchaser who purchases a security offered by this Pricing Supplement during the period of distribution will have a statutory right of action for damages, or while still the owner of the Notes, for rescission against us in the event that this Pricing Supplement, together with the offering memorandum, contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the Notes. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the Notes. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the Notes were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the Notes as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the Notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Notes in their particular circumstances and about the eligibility of the Notes for investment by the purchaser under relevant Canadian legislation.

GENERAL INFORMATION

Clearing Systems

Application has been made to have the Notes accepted for clearance through Euroclear and Clearstream. In addition, application has been made to have the Notes accepted for trading in book-entry form by DTC. For the Rule 144A Global Note, the ISIN number is US05533UAA60 and the CUSIP number is 05533UAA6, and for the Regulation S Global Note, the ISIN number is USP16259AA47 and the CUSIP number is P16259AA4.

Listing

Application has been made to the Luxembourg Stock Exchange to trade the Notes on the Euro MTF market of that Exchange. Copies of our bylaws, the indenture, as may be amended or supplemented from time to time, our published annual audited consolidated financial statements and any published quarterly unaudited consolidated financial statements will be available at our principal executive offices, as well as at the offices of the Trustee, registrar, paying agent and transfer agent, and at the offices of the Luxembourg listing agent, paying agent and transfer agent, as such addresses are set forth in this offering memorandum. We believe the auditor's reports included herein have been accurately reproduced. We will maintain a paying and transfer agent in Luxembourg for so long as any of the Notes are listed on the Official list of the Luxembourg Stock Exchange.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes, except for the signature of the indenture by the CNBV that will be obtained on or prior to the date on which the Notes are issued.

LEGAL MATTERS

The validity of the Notes will be passed upon for us by our General Counsel, Lic. José Fernando Pío Díaz Castañares, Cleary Gottlieb Steen & Hamilton LLP, New York, New York and Mayer Brown LLP, Houston, Texas. Certain legal matters will be passed upon for the initial purchasers by Shearman & Sterling LLP, New York, New York, and Ritch Mueller, S.C., Mexico City, Mexico. Cleary Gottlieb Steen & Hamilton LLP and Shearman & Sterling LLP will rely upon our General Counsel, Lic. José Fernando Pío Díaz Castañares, and Ritch Mueller, S.C. with respect to matters governed by Mexican law and upon Mayer Brown LLP, with respect to matters governed by Texas law.

INDEPENDENT AUDITORS

Our audited financial statements as of December 31, 2010 and 2009 and for each of the three years ended December 31, 2010 included in this offering memorandum have been audited by Galaz, Yamazaki, Ruiz, Urquiza, S.C., a member of Deloitte Touche Tohmatsu, independent accountants, as stated in their report.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report to the Board of Directors and Stockholders of BBVA Bancomer, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer

We have audited the accompanying consolidated balance sheets of BBVA Bancomer, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and subsidiaries (the "Institution") as of December 31, 2010 and 2009, and the related consolidated statements of income and changes in stockholders' equity for each of the three years in the period ended December 31, 2010, of cash flows for the years ended December 31, 2010 and 2009 and of changes in financial position for the year ended December 31, 2008, all expressed in millions of Mexican pesos. These financial statements are the responsibility of the Institution's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in conformity with the accounting criteria established by the Mexican National Banking and Securities Commission (the "Commission"). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting criteria used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Note 2 to the financial statements describes the operations of the Institution and the effects thereon of current regulatory conditions. Note 4 describes the accounting criteria established by the Commission, which the Institution uses for the preparation of its financial information. Note 5 indicates the principal differences between the accounting criteria established by the Commission and Mexican financial reporting standards, commonly used in the preparation of financial statements for other types of unregulated entities.

As explained in Note 4, in August 2009, the Commission issued modifications to the consumer portfolio rating methodology, along with related accounting guidance allowing institutions the option of recognizing the initial cumulative effect derived from applying the consumer portfolio rating methodology to credit card transactions as a charge to stockholders' equity. The Institution recognized in 2009 the effect of this change of methodology in stockholders' equity in the amount of $953 million pesos, net of related deferred taxes.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of BBVA Bancomer, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and changes in their stockholders' equity for each of the three years in the period ended December 31, 2010, their cash flows for the years ended December 31, 2010 and 2009 and changes in their financial position for the year ended December 31, 2008, in conformity with the accounting criteria prescribed by the Commission.

Our audits also comprehended the translation of Mexican peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of users.

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

CPC Jorge Tapia del Barrio
February 21, 2011

BBVA BANCOMER, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
GRUPO FINANCIERO BBVA BANCOMER

CONSOLIDATED BALANCE SHEETS
OF THE INSTITUTION AND ITS SUBSIDIARIES
AT DECEMBER 31, 2010 AND 2009

(In millions of Mexican pesos)

	As December 31,		
	2009	**2010**	**2010**
			(Thousands of U.S. dollars)
Assets			
Cash and cash equivalents	$ 141,657	$ 118,336	$ 9,582
Margin call accounts	5,872	7,346	595
Securities:			
Trading	201,515	154,722	12,529
Available for sale	117,476	125,972	10,200
Held to maturity	13,656	14,348	1,162
Total securities	332,647	295,042	23,891
Debtors from repurchase agreements	652	0	0
Derivatives:			
Trading	53,944	54,598	4,421
Hedging transactions	5,450	4,655	377
Total derivatives	59,394	59,253	4,798
Valuation adjustments derived from hedges of financial assets	1,028	1,663	135
Performing loans:			
Commercial loans			
Business or commercial activity	205,536	211,941	17,162
Financial entities	8,732	8,540	692
Government entities	51,462	80,675	6,533
Total commercial loans	265,730	301,156	24,387
Consumer	103,705	118,674	9,610
Mortgage	135,120	145,472	11,779
Total performing loans	504,555	565,302	45,776
Non-performing loans:			
Commercial loans:			
Business or commercial activity	4,378	4,029	326
Financial entities	0	5	0
Consumer	8,798	5,167	418
Mortgage	6,662	5,222	423
Total non-performing loans	19,838	14,423	1,167
Total loans	524,393	579,725	46,943
Allowance for loan losses	(26,991)	(25,128)	(2,035)
Total loans, net	497,402	554,597	44,908
Receivable benefits from securitization transactions	1,224	1,256	102
Receivables, sundry debtors and prepayments, net	19,707	25,582	2,071
Repossessed assets, net	2,199	2,942	238
Property, furniture and equipment, net	17,745	17,660	1,430
Equity investments	2,263	2,454	199
Deferred taxes, net	6,773	8,665	702
Other assets:			
Deferred charges, prepaid expenses and intangibles	4,828	3,366	273
Total assets	$1,093,391	$1,098,162	$ 88,924

The accompanying notes are an integral part of these consolidated statements

BBVA BANCOMER, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
GRUPO FINANCIERO AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS – (CONTINUED)
AS OF DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

Liabilities			
Deposits:			
Demand deposits	355,110	402,601	32,600
Time deposits:			
The general public	160,555	143,194	11,595
Money market	27,825	26,921	2,180
	188,380	170,115	13,775
Bank bonds	45,024	44,619	3,613
	588,514	617,335	49,988
Interbank loans and loans from other entities:			
Payable on demand	1,483	48,158	3,900
Short-term	7,019	7,258	588
Long-term	5,508	5,009	406
	14,010	60,425	4,894
Creditors from repurchase agreements	237,610	138,026	11,177
Collaterals sold or delivered in guarantee:			
Repurchase agreements	0	19	2
Security loans	8,482	10,768	872
	8,482	10,787	874
Derivatives:			
Trading	62,696	62,932	5,096
Hedge transactions	1,330	1,419	115
	64,026	64,351	5,211
Valuation adjustments derived from hedges of financial liabilities	719	1,105	89
Other payables:			
Income taxes	0	1,191	96
Employee profit sharing (PTU) payable	36	33	3
Transaction settlement creditors	13,127	22,592	1,829
Margin call accounts creditors	10,191	7,605	616
Accrued liabilities and other	17,258	19,151	1,551
	40,612	50,572	4,095
Subordinated debt	37,175	41,287	3,343
Deferred credits and advanced collections	3,653	4,862	394
Total liabilities	994,801	988,750	80,065
Stockholders' equity			
Subscribed capital:			
Paid-in capital	24,138	24,138	1,955
Share premium	15,726	15,726	1,273
Earned capital:			0
Capital reserves	6,881	6,881	557
Results of prior years	28,801	34,572	2,799
Unrealized gain on available-for-sale securities	2,000	2,663	216
Result from valuation of cash flow hedging instruments	1,757	1,955	158
Result from conversion of foreign subsidiaries	144	106	9
Net income	18,446	22,541	1,825
	97,893	108,582	8,792
Non-controlling interest in consolidated subsidiaries	697	830	67
Total stockholders' equity	98,590	109,412	8,859
Total liabilities and stockholders' equity	1,093,391	1,098,162	88,924

The accompanying notes are an integral part of these consolidated statements

BBVA BANCOMER, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
GRUPO FINANCIERO AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
AS OF DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	As December 31,			
	2008	2009	2010	2010 (Thousands of U.S. dollars)
Interest income	$106,374	$ 97,625	$ 88,679	$ 7,181
Interest expense	(46,831)	(38,405)	(28,533)	(2,310)
Net interest income	59,543	59,220	60,146	4,871
Provision for loan losses	(23,994)	(27,255)	(19,626)	(1,589)
Net interest income after provision for loan losses	35,549	31,965	40,520	3,282
Commission and fee income	23,708	24,211	27,036	2,189
Commission and fee expense	(5,038)	(5,528)	(6,441)	(522)
Trading income	2,222	6,279	4,864	394
Other operating income	(1,135)	169	525	43
Net operating revenues	55,306	57,096	66,504	5,386
Non-interest expense	(31,351)	(33,091)	(36,632)	(2,966)
Operating income	23,955	24,005	29,872	2,420
Other income	3,715	2,125	2,658	215
Other expenses	(4,458)	(2,271)	(2,640)	(214)
Income before income taxes	23,212	23,859	29,890	2,421
Current income tax	(9,654)	(7,105)	(9,612)	(778)
Deferred income tax	4,867	1,623	2,277	184
Income before share in net income of unconsolidated subsidiaries and affiliates	18,425	18,377	22,555	1,827
Share in net income of unconsolidated subsidiaries and affiliates	96	301	302	24
Income before noncontrolling interest	18,521	18,678	22,857	1,851
Noncontrolling interest	(172)	(232)	(316)	(26)
Net income	$ 18,349	$ 18,446	$ 22,541	$ 1,825

The accompanying notes are an integral part of these consolidated statements

BBVA BANCOMER, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
GRUPO FINANCIERO BBVA BANCOMER

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
OF THE INSTITUTION AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	Subscribed Capital		Earned Capital								
	Paid-in Capital	Share Premium	Capital Reserves	Results of Prior Years	Unrealized Gain on Available for Sale Securities	Result from Valuation of Cash Flow Hedging Instruments	Result from Conversion of Foreign Subsidiaries	Result from Holding Non-monetary Assets	Net Income	Noncontrolling Interest in Consolidated Subsidiaries	Total Stockholders' Equity
Balances at December 31, 2007	$ 20,299	$ 15,480	$ 5,957	$ 15,983	$ 517	$ 479	$ 0	(3)	$19,637	$ 554	$78,903
Recognition of correction in the allowance for loan losses of the consumer portfolio and the FOVItype mortgage portfolio	0	0	0	(1,223)	0	0	0	0	0	0	(1,223)
Total	20,299	15,480	5,957	14,760	517	479	0	(3)	19,637	554	77,680
Movements due to stockholders' decisions											
Transfer of 2007 net income											
Capitalization of restatement	0	0	0	19,637	0	0	0	0	(19,637)	0	0
Cash dividends paid	1,131	(449)	(173)	(480)	0	(32)	0	3	0	0	0
Dividends paid by Administradora de Fondos para el Retiro Bancomer, S. A. de C. V.	0	0	0	(15,710)	0	0	0	0	0	0	(15,710)
Total	0	0	0	0	0	0	0	0	0	(113)	(113)
Comprehensive income movements-	1,131	(449)	(173)	3,447	0	(32)	0	3	(19,637)	(113)	(15,823)
Net income for the year											
Unrealized gain on available for sale securities											
Unrealized gain on available for sale restricted securities	0	0	0	0	0	0	0	0	18,349	172	18,521
Result from valuation of cash flow hedging instruments	0	0	0	0	(646)	0	0	0	0	0	(646)
Adjustment to goodwill of foreign subsidiaries	0	0	0	0	1,103	0	0	0	0	0	1,103
Adjustment for valuation of subsidiary companies	0	0	0	0	0	212	0	0	0	0	212
Effect of changes in UDI exchange rates	0	0	0	(83)	0	0	0	0	0	0	(83)
Result from conversion of foreign subsidiaries	0	0	0	0	0	0	0	0	0	(3)	(3)
Total	0	0	0	(24)	0	0	0	0	0	0	(24)
Balances at December 31, 2008	0	0	0	0	0	0	206	0	0	0	206
Movements due to stockholders' decisions	0	0	0	(107)	457	212	206	0	18,349	169	19,286
Transfer of 2008 net income											
Cash dividends paid	21,430	15,031	5,784	18,100	974	659	206	0	18,349	610	81,143
Merger effects with BBVA Bancomer Servicios, S.A.											
Dividends paid by Administradora de Fondos para el Retiro Bancomer, S. A. de C. V.											
Total	-	-	-	18,349	-	-	-		(18,349)	-	0
Comprehensive income movements	-	-	-	(11,889)	-	-	-		-	-	(11,889)
Net income for the year	2,708	695	1,097	5,203	-	-	-		-	-	9,703
Result from valuation of securities available for sale	-	-	-	-	-	-	-		-	(145)	(145)
Result from valuation of cash flow hedging instruments	2,708	695	1,097	11,663	0	0	0		(18,349)	(145)	(2,331)
Recognition of the allowance for credit losses of the credit card consumer portfolio derived from the change of rating methodology											
Adjustment for valuation of associated companies											
Effect of changes in UDI exchange rates	-	-	-	-	-	-	-		18,446	232	18,678
Result from conversion of foreign subsidiaries	-	-	-	-	1,026	-	-		-	-	1,026

	Subscribed Capital		Earned Capital								
	Paid-in Capital	**Share Premium**	**Capital Reserves**	**Results of Prior Years**	**Unrealized Gain on Available for Sale Securities**	**Result from Valuation of Cash Flow Hedging Instruments**	**Result from Conversion of Foreign Subsidiaries**	**Result from Holding Non-monetary Assets**	**Net Income**	**Noncontrolling Interest in Consolidated Subsidiaries**	**Total Stock-holders' Equity**
Total	-	-	-	-	-	1,098	-		-	-	1,098
Balances at December 31, 2009	-	-	-	(953)	-	-	-		-	-	(953)
Movements due to stockholders' decisions	-	-	-	8	-	-	-		-	-	8
Transfer of 2009 net income	-	-	-	(17)	-	-	-		-	-	(17)
Cash dividends paid	-	-	-	-	-	-	(62)		-	-	(62)
Dividends paid by Administradora de Fondos para el Retiro Bancomer, S. A. de C. V.	0	0	0	(962)	1,026	1,098	(62)		18,446	232	19,778
Total											
Comprehensive income movements-	24,138	15,726	6,881	28,801	2,000	1,757	144	0	18,446	697	98,590
Net income for the year											
Result from valuation of securities available for sale											
Result from valuation of cash flow hedging instruments	-	-	-	18,446	-	-	-		(18,446)	-	0
Adjustment for valuation of subsidiary companies	-	-	-	(12,567)	-	-	-		-	-	(12,567)
Result from conversion of foreign subsidiaries	-	-	-	-	-	-	-		-	(183)	(183)
Total	0	0	0	5,879	0	0	0		(18,446)	(183)	(12,750)
Balances at December 31, 2010	$ 24,138	$ 15,726	$ 6,881	$ 34,572	$ 2,663	$ 1,955	$ 106	$	$22,541	$ 830	$109,412

The accompanying notes are an integral part of these consolidated statements

BBVA BANCOMER, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
GRUPO FINANCIERO BBVA BANCOMER

CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE INSTITUTION AND ITS SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In millions of Mexican pesos)

	As December 31,		
	2009	2010	2010 (Thosand of U.S. dollars)
Net income	$ 18,446	$ 22,541	$ 1,825
Adjustments derived from items not involving cash flows:			
Profit or loss derived from the valuation of investment and financing activities	(51)	(41)	(3)
Allowance for loan losses	27,255	19,626	1,589
Allowance for doubtful accounts	191	(57)	(5)
Depreciation and amortization	2,358	2,564	208
Provisions	(1,424)	5,118	414
Income taxes	5,482	7,335	594
Share in net income of unconsolidated subsidiaries and affiliated companies	(301)	(302)	-24
Noncontrolling interest	232	316	26
	52,188	57,100	4,624
Operating activities:			
Change in margin call accounts	4,947	(1,713)	(139)
Change in investments in securities	30,598)	37,491	3,036
Change in debtors from repurchase agreement	(609)	652	53
Change in derivatives (assets)	54,175	(654)	(53)
Change in loan portfolio	(35,423)	(79,604)	(6,446)
Change in receivable benefits from securitized transactions	92	(32)	(3)
Change in repossessed assets	(686)	(743)	(60)
Change in other operating assets	4,175	(6,088)	(493)
Change in deposits	36,408	31,991	2,590
Change in interbank loans and other loans from other entities	(24,412)	46,678	3,780
Change in creditors from repurchase agreements	(30,012)	(99,584)	(8,064)
Change in collaterals sold or delivered in guarantee	8,025	2,305	187
Change in derivatives (liabilities)	(54,373)	393	32
Change in subordinated debt	3,003	5,474	443
Change in other operating liabilities	13,756	5,446	441
Change in income taxes	(9,920)	(6,715)	(544)
Change in hedging instruments (of hedged items related to operation activities)	12	231	19
Net cash used in operating activities	(9,252)	(7,372)	(597)
Investment activities:			
Proceeds from the disposal of property, furniture and fixtures	216	1,090	88
Payments for the acquisition of property, furniture and fixtures	(4,325)	(3,081)	(249)
Proceeds from the disposal of equity investments	63	286	23
Payments for the acquisition of equity investments	(132)	(194)	(16)
Collection of cash dividends	28	29	2
Payments for the acquisition of intangible assets	(159)	(80)	(6)
Merger effect with BBVA Bancomer Servicios, S.A. (furniture and fixtures, subsidiaries and associated companies)	(339)	-	0
Net cash used in investment activities	(4,648)	(1,950)	(158)
Financing activities:			
Cash dividends paid	(11,889)	(12,567)	(1,018)
Merger effect with BBVA Bancomer Servicios, S.A. (cash and cash equivalents acquired)	9,703	-	0
Cash dividends paid to minority interest of Afore Bancomer	(145)	(183)	(15)
Net cash used in financing activities	(2,331)	(12,750)	(1,033)
Net decrease in cash and cash equivalents	(16,231)	(22,072)	(1,788)
Cash flow adjustments from exchange rate fluctuations	(3,574)	(1,249)	(101)
Cash and cash equivalents at the beginning of the year	161,462	141,657	11,471
Cash and cash equivalents at the end of the year	$ 141,657	$ 118,336	$ 9,582

BBVA BANCOMER, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
GRUPO FINANCIERO AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
AS OF DECEMBER 31, 2008
(In millions of Mexican pesos)

	2008
Operating activities:	
Income from continuing operations	$ 18,521
Add (less)-Charges (credits) to income not affecting cash:	
Fair value results	5,678
Provision for loan losses	23,994
Depreciation and amortization	1,944
Deferred taxes	(4,867)
Provision for accrued liabilities	490
Share in net (income) loss of unconsolidated subsidiaries and affiliates	(104)
	45,656
Changes in operating-related items	
Deposits	78,699
Loan portfolio	(71,128)
Treasury financial instruments	(199)
Trading derivatives	2,097
Interbank and other loans	13,309
Resources provided (used in) by operating activities	68,434
Financing activities:	
Subordinated debt	12,160
Cash dividends paid by Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (minority interest)	(113)
Cash dividends paid	(15,710)
Stockholders' equity	(1,124)
Other payables	4,127
Resources provided (used in) by financing activities	-660
Investing activities:	
Property, furniture and equipment, net	(2,852)
Equity investments	25
Repossessed assets, net	(407)
Other assets, other liabilities, deferred charges and credits, net	875
Other receivables	(13,130)
Net resources provided by investing activities	(15,489)
Net increase (decrease) in cash and due from banks	52,285
Cash and due from banks at beginning of year	120,252
Cash and due from banks at end of year	$ 172,537

The accompanying notes are an integral part of these consolidated statements

BBVA BANCOMER, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
GRUPO FINANCIERO AND CONSOLIDATED SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

1. Explanation added for translation into English

The accompanying consolidated financial statements have been translated from the original statements prepared in Spanish into English for use outside of Mexico. The accounting criteria to prepare the accompanying financial statements used by of BBVA Bancomer, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and Subsidiariess (the "Institution") conform with the financial reporting requirements prescribed by the Mexican National Banking and Securities Commission (the "Commission") but do not conform with Mexican Financial Reporting Standards ("MFRS"), and may differ in certain significant respects from the financial reporting standards accepted in the country of use.

2. Incorporation and corporate purpose

The Institution is a subsidiary of Grupo Financiero BBVA Bancomer, S. A. de C. V. (the "Financial Group") and is regulated, among others, by the Mexican Credit Institutions Law and general purpose regulations issued by the Commission and by Banco de México. The Institution and its subsidiaries engage in full service banking activities, carried in accordance with such laws, which activities mainly include receiving funds, accepting loans, granting credits, trading securities and derivatives and executing trust fund agreements. Also, Administradora de Fondos para el Retiro Bancomer, S. A. de C. V. (the "Afore Bancomer"), principal subsidiary of the Institution, is regulated by the Mexican National Commission for Retirement Savings.

The Commission, as regulator of financial institutions, is empowered to review the financial information of the Institution and can request changes thereto.

The main regulatory provisions require credit institutions to maintain a minimum capital ratio in relation to the credit and market risks of their operations, comply with certain limits with respect to deposit acceptance, debentures and other kinds of funding, which may be denominated in foreign currency, and establish minimum limits for paid-in capital and capital reserves, which the Institution complies with satisfactorily.

The Institution has no employees, except for the General Director, and its management is carried out by BBVA Bancomer Operadora, S. A. de C. V. and BBVA Bancomer Servicios Administrativos, S. A. de C. V., which provide management advisory and personnel services, under the contract signed by the parties.

In the Stockholders' Extraordinary General Meeting held on April 8, 2009, the stockholders' agreed to merge the Institution, in its capacity as the original company, with BBVA Bancomer Servicios, S.A. (Bancomer Servicios) as the absorbed entity. The merger between the parties became effective on August 1, 2009, based on the authorization document issued by the Commission, the legalized minutes of the aforementioned meeting and their registration with the Mexican Public Property and Commerce Registry.

When the merger took effect, the Institution unconditionally absorbed all the assets, liabilities, capital, obligations and rights of Bancomer Servicios, while also acquiring its entire net worth under general title. As a result of the merger, all trust contracts executed by Bancomer Servicios prior to the merger date were transferred to the Institution.

3. Basis of preparation of the financial statements

Consolidation of financial statements **-** The accompanying consolidated financial statements include the financial statements of the Institution, those of its subsidiaries in which control is exercised, and its securitized transactions trusts. Equity investments in mutual funds are measured according to the equity method, in conformity with the accounting criteria prescribed by the Commission. All significant intercompany balances and transactions have been eliminated in consolidation.

As of December 31, 2010 and 2009, the consolidated subsidiaries of the Institution are as follows:

Company	Participation	Activity
Fideicomiso Centro Corporativo Regional	100.00%	Technological infrastructure support.
Mercury Trust Limited	100.00%	Trust services.
BBVA Bancomer Financial Holdings, Inc.	100.00%	Holder of companies engaged in the sale of notes denominated in U.S. dollars and other foreign currencies, as well as bank operations.
Opción Volcán, S. A. de C. V.	99.99%	Real estate leasing.
Desitel, Tecnología y Sistemas, S. A. de C. V.	99.99%	Provider of computer data transfer services.
Afore	75.00%	Pension fund management.
Fideicomiso No. 29764-8 Socio Liquidador de Operaciones Financieras Derivadas Posición de Terceros	100.00%	Offset and settle exclusively futures contracts on account of third parties.
Fideicomiso No. 29763-0 Socio Liquidador de Operaciones Financieras Derivadas Posición Propia	99.99%	Offset and settle exclusively futures contracts on account of group companies.
Apoyo Mercantil, S. A. de C. V.	99.99%	Operating leases for furniture and vehicles.
Visacom, S. A. de C. V.	99.99%	Holding company of companies engaged in marketing and data communication activities between companies.
Financiera Ayudamos, S. A. de C. V.	99.99%	Regular, professional granting of credit in accordance with the terms of article 87-B of the General Law on Credit Organizations and Ancillary Activities.
Unidad de Avalúos México, S. A. de C. V.	99.99%	Appraisal service.

The transactions of the foreign subsidiaries are modified in the recording currency to conform with the Commission's accounting criteria. The financial statements are converted into Mexican pesos and the effects of conversion are recorded in stockholders' equity.

Comprehensive income -

This item is comprised of the net income for the year plus any transactions that according to specific regulations are recorded directly in stockholders' equity, such as the result from holding non-monetary assets, the unrealized gain or loss on available for sale securities, the result from valuation of cash flow hedging instruments, recognition of the estimated allowance for consumer portfolio credit risks (credit card) due to the change of rating methodology, adjustment to goodwill of foreign subsidiaries, effect of exchange slippage in UDIs and result from conversion of foreign subsidiaries.

4. Significant accounting policies

The accounting policies of the Institution, which are in conformity with the accounting criteria of the General Regulations Applicable to Credit Institutions (the "Regulations") prescribed by the Commission, require that management make certain estimates and use certain assumptions to determine the valuation of some of the items included in the financial statements and make the required disclosures to be included therein. While the estimates and assumptions used may differ from their final effect, management believes they were adequate under the circumstances.

In accordance with accounting criterion A-1 of the Commission, the accounting of the credit institution will be adjusted to MFRS, as established by the Mexican Board for the Research and Development of Financial Reporting Standards ("CINIF"), except when, in the judgment of the Commission, a specific accounting provision or standard must be applied on the basis that financial institutions carry out specialized operations.

Changes in accounting policies and estimates -

During 2010, the following MFRS went into effect, after their issuance by CINIF during 2009:

NIF C-1, Cash and Cash Equivalents, Requires restricted cash and cash equivalents to be included within the cash and cash equivalents caption, as opposed to Bulletin C-1, which required presentation under separate captions; NIF C-1 replaces the caption on-demand temporary investments with the caption on-demand available investments clarifying that this type of investment has a maturity of up to three months from its acquisition date.

The main improvements generating accounting changes that must be recognized retroactively are:

NIF B-1, Accounting Changes and Correction of Errors -Requires further disclosures when the Institution applies a particular Standard for the first time.

NIF B-2, Statement of Cash Flows - A separate line item, "Effects from changes in cash value" is required, to show the impact on cash and cash equivalent balances of changes in value resulting from exchange fluctuations and changes in fair value, plus effects from conversion to the reporting currency of cash flows and balances from foreign operations as well as the effects of inflation associated with the cash flows and balances of any of the entities making up the group, that is in an inflationary economic environment.

NIF B-7, Business Acquisitions - Requires recognition of intangible assets or provisions because the acquired business has a contract whose terms and conditions are favorable or unfavorable with respect to market, only when the acquired business is the lessee in an operating lease. This accounting change should be recognized retroactively and shall not be applied after January 1, 2009.

NIF C-7, Investments in Associated Companies and Other Permanent Investments - Modifies how the effects derived from increases in equity percentages in an associated company are determined. It also establishes that the effects due to an increase or decrease in equity percentages in associated companies should be recognized under equity in income (loss) of associated companies, rather than in the non-ordinary line item within the statement of income.

NIF C-13, Related Parties - Requires that, if the direct or ultimate controlling entity of the reporting entity does not issue financial statements available for public use, the reporting entity should disclose the name of the closest, direct / indirect, controlling entity that issues financial statements available for public use.

The principal accounting practices followed by the Institution are as follows:

Recognition of the effects of the inflation in the financial statements - Beginning January 1, 2008, the Institution discontinued recognition of the effects of inflation. Through December 31, 2007, such recognition resulted mainly in inflationary gains or losses on non-monetary and monetary items, which are presented in the financial statements as an increase or decrease in stockholders' equity headings, and also in nonmonetary items.

The accumulated inflation of the three years prior to 2010 and 2009 was 14.55% and 15.03%, respectively, for which reason the economic environment for both years qualifies as noninflationary. As discussed previously, the cumulative effects of inflation up to December 31, 2007 are maintained in the accounting records of the balance sheet as of December 31, 2010 and 2009.

Inflation rates for the years ended December 31, 2010 and 2009 were 4.40% and 3.57%, respectively.

Cash and due from banks - Cash and due from banks are recorded at nominal value, except for silver and gold coins, which are stated at their fair value at each period-end. Available foreign funds are valued at the exchange rate published at year end by Banco de México.

The foreign currencies acquired whose settlement is agreed at a date after the completion of the purchase and sale transaction will be recognized at such transaction date as restricted funds available (foreign currencies to be received), whereas the foreign currencies sold will be recorded as a disbursement of funds available (foreign currencies to be delivered). The counterparty must be a settlement account, either credit or debit, as the case may be.

Margin call accounts - Guarantee deposits for financial derivatives transactions in recognized markets are recorded at face value.

Guarantee deposits are intended to achieve compliance with obligations related to derivatives executed in recognized markets and refer to the initial margin and to subsequent contributions or withdrawals made during the effective term of the respective contracts.

Securities -

– *Trading securities:*

Trading securities are those securities in which the Institution invests to take advantage of short-term market fluctuations. The transaction costs for the acquisition of the securities are recognized in results of the year on the acquisition date. These securities are stated at fair value (which includes the discount or markup, as the case may be) in conformity with the following guidelines:

Debt instruments-

- Debt instruments are valued at fair value, which must include both the principal and accrued interest. Interest earned is determined based on the effective interest method.

Equity instruments-

- Equity instruments are valued at their fair value. In the case of securities registered with the National Securities Registry (RNV) or authorized, registered or regulated in markets recognized by the Commission, the fair value is the price received from the price supplier.

Gains or losses resulting from valuation are recognized in the statement of income.

- *Securities available for sale:*

  Securities available for sale are debt instruments and equity securities acquired with an intention other than obtaining gains from trading them on the market or holding them to maturity. The transaction costs for the acquisition of the securities are recognized as part of the investment. These securities are valued in the same way as trading securities and except for the debt instruments, the adjustments derived from their valuation are recognized in stockholders' equity, net of any related monetary gain or loss.

- *Securities held to maturity:*

  Securities held to maturity are debt instruments with fixed or determinable payments or an established maturity acquired with both the intent and the capacity of holding them to maturity. These instruments are initially recorded at fair value, which presumably reflects the agreed price, plus the transaction costs for the acquisition of securities. They are subsequently accounted for using amortized cost, thus affecting the results of the year based on accrued interest and the discount or markup received or paid for their acquisition according to the effective interest method.

The accounting criteria issued by the Commission permit the transfer of securities classified as "held to maturity" to the category of "securities available for sale", provided the Institution does not have the intention or capacity to hold them to maturity.

Furthermore, on November 9, 2009, the Commission issued the Ruling to Amend the Regulations, which allows securities to be reclassified to the category of securities held to maturity, or from the category of trading securities to that of securities available for sale, contingent on the prior authorization of the Commission.

Security value impairment - Credit institutions must assess whether there is objective evidence regarding the impairment of a security at the balance sheet date.

A security is only considered to be impaired and, accordingly, an impairment loss is only incurred when there is objective evidence of this impairment as a result of one or more events which occurred after its initial recognition, which affected estimated future cash flows and can be reliably determined. It is unusual that a single event is determined as the cause of impairment, and it is more common that impairment results from the combined effect of different events. The losses expected as the result of future events are not recognized, regardless of their probability.

Repurchase transactions - Repurchase agreements are recorded as follows:

At the contracting date of the repurchase transaction, when the Institution is the reselling party, the entry of cash or a debit settlement account, and an account payable at fair value, initially at the agreed-upon price, are recorded and represent the obligation to restitute cash to the repurchasing party. Subsequently, during the term of the repurchase transaction, the account payable is valued at fair value by recognizing the interest on the repurchase agreement using the effective interest method in results of the year.

In relation to the collateral granted, the Institution will reclassify the financial assets in its balance sheet as restricted, which will be valued based on the criteria described above in this note until the maturity of the repurchase transaction.

When the Institution acts as repurchasing party, the withdrawal of funds available is recognized on the contracting date of the repurchase transaction or a credit settlement account, with an account receivable recorded at fair value, initially at the price agreed, which represents the right to recover the cash paid. The account receivable will be valued subsequently during the term of the repurchase agreement at fair value through the recognition of interest on the repurchase agreement based on the effective interest method in the results of the year.

The Institution will recognize the collateral received in memorandum accounts, following the guidelines for valuation established in accounting criterion B-9, "Custody and administration of goods", until the maturity of the transaction.

Collateral granted and received other than cash in repurchase agreements- In relation to the collateral in repurchase transactions granted by the seller to the buyer (other than cash), the buyer recognizes the collateral received in memorandum accounts, by following the guidelines on custody transactions established in criterion B-9 "Custody and administration of goods" for their valuation. The selling party reclassifies the financial asset on its balance sheet, and it is presented as restricted, for which purpose the standards for valuation, presentation and disclosure are followed in accordance with the respective accounting treatment.

When the buyer sells the collateral or provides it as a guarantee, the resources from the transaction are recognized, as well as an account payable for the obligation to repay the collateral to the selling party (measured initially at the price agreed), which is valued at fair value for its sale or, if it is given as guarantee in another repurchase transaction, at its amortized cost, (any spread between the price received and the value of the account payable is recognized in results of the year).

Furthermore, if the buyer then becomes a seller for another repurchase transaction using the same collateral received as guarantee for the initial transaction, the repurchase interest agreed in the second transaction must be recognized in results of the year as it is accrued, in accordance with the effective interest method, adjusting the account payable valued at amortized cost as mentioned above.

The memorandum accounts recorded for collateral received by the buyer are canceled when the repurchase transaction reaches maturity or there is a default on the part of the seller.

For transactions in which the buyer sells or in turn provides the collateral received as guarantee (for example, when another repurchase or securities loan transaction is agreed), the control of such sold or pledged collateral is performed in memorandum accounts, by applying for valuation purposes the standards for custody transactions established in accounting criterion B-9.

The memorandum accounts recorded for collateral received which were in turn sold or pledged by the buyer, are canceled when the collateral sold is acquired to repay it to the seller, or when the second transaction in which the collateral was granted reaches maturity or there is a default on the part of the counterparty.

Securities loans - Securities loans are transactions in which the transfer of securities is agreed from the lender to the borrower, with the obligation to return such securities or other substantially similar ones on a given date or as requested, in exchange for a premium as consideration. In these transactions, a collateral or guarantee is requested by the lender from the borrower.

At the contracting date of the securities loan, when the Institution acts as lender, it records the security subject matter of the loan transferred to the borrower as restricted, for which purpose the standards for valuation, presentation and disclosure, based on the respective accounting treatment, are followed.

The amount of the premium earned is recognized in results of the year through the effective interest method during the term of the transaction.

When it acts as the borrower, at the contracting date of the securities loan, the Institution records the security subject matter of the loan received in memorandum accounts, following the valuation guidelines for the securities recognized, in the account "Assets in custody or under administration".

The security subject matter of the transaction received and the collateral received are presented in memorandum the heading of "Collateral received by the Institution". The collateral received from other transactions are presented under the heading of "Collateral received and sold or pledged as collateral by the Institution".

***Derivatives* -** The Institution carries out two different types of transactions:

– Hedging of an open risk position. Consists of the purchase or sale of derivative financial instruments to reduce the risk of a transaction or group of transactions.

– Trading. Consists of the position assumed by the Institution as market participant for purposes other than hedging open risk positions.

The Institution's policies require that for purposes of entering into derivative transactions, both trading parties must belong to the Financial System and have Banco de México authorization to carry out this type of transaction, classifying and, if applicable, determining risk exposure lines. Prior to carrying out these transactions, corporate customers must be granted a credit line authorized by the Credit Risk Committee or provide readily realizable guarantees through the pertinent bond contracts. Transactions involving mid-sized and small businesses, as well as individuals, are carried out through readily realizable guarantees established in bond contracts.

The assets and/or liabilities arising from transactions with derivative financial instruments are recognized or cancelled in the financial statements on the date the transaction is carried out, regardless of the date of settlement or delivery of the asset.

The Institution initially recognizes all agreed derivatives (including those forming part of hedges) as assets or liabilities (depending on the rights and/or obligations they embody) in the balance sheet at fair value, which presumably reflects the price at which the transaction was agreed. Any transaction costs that are directly attributable to the acquisition of the derivative are directly recognized in results.

All derivatives are subsequently valued at fair value without deducting the transaction costs incurred for their sale or other types of disposal; this valuation effect is then recognized in the results of the period under the "Trading income".

Derivatives must be presented under a specific asset or liability heading depending on whether their fair value (as a consequence of the rights and/or obligations they embody) results in a debit or credit balance, respectively. These debit or credit balances can be offset as long as they comply with the offsetting rules established by the applicable accounting criterion.

In the balance sheet, the derivatives heading must be divided between those held for trading and hedging purposes.

Hedging transactions

Hedge derivatives are valued at market, and the effect is recognized depending on the type of accounting hedge, as follows:

a. If they are fair value hedges, the primary position covered is valued at market and the net effect of the derivative hedge instrument is recorded in results of the period.

b. If they are cash flow hedges, the hedge derivative instrument is valued at market and the valuation for the effective portion of the hedge is recorded within other comprehensive income account in stockholders' equity. Any ineffective portion is recorded in results.

Trading transactions

– *Forward and futures contracts*:

  The balance represents the difference between the fair value of the contract and the contracted forward price. If the difference is positive, it is considered as a surplus value and presented under assets; however, if negative, it is considered as a shortfall and presented under liabilities.

– *Options*:

The balance represents the fair value of future cash flows to be received, and recognizes the valuation effects in results of the year.

– *Swaps:*

The balance represents the difference between the fair value of the swap asset and liability.

Embedded derivatives - The Institution separates the embedded derivatives of structured notes, whereby the reference underlying is based on the exchange rate, price indexes, interest rate options with extendable periods and UMS bond price options.

In the case of debt and bond contracts in which the reference underlying is an interest rate with implied cap, floor and collar options, they are considered as closely related to the host contract and ,consequently, these items are not segregated. Accordingly, the main contract issued for debt and bonds is recorded based on the applicable criteria to each contract, at the amortized cost in both cases.

Loan portfolio - The balances in the loan portfolio represent the amounts disbursed to borrowers, less repayments made to date, plus accrued but unpaid interest. The allowance for loan losses is presented as a deduction from the total loan balance.

The outstanding balance of past-due loans is recorded as non-performing as follows:

- When there is evidence that the customer has been declared bankrupt.

- When payments have not been fully settled according to contractual terms, considering that:

  – Loans with a single payment of principal and interest at maturity are considered past due 30 calendar days after the date of maturity.

  – Loans with a single payment of principal at maturity and with scheduled interest payments are considered past due 30 calendar days after principal becomes past due and 90 calendar days after interest becomes past due.

  – The loans whose payment of principal and interest had been agreed to in scheduled payments are considered past due 90 days after the first installment is past due.

  – In the case of revolving credit granted, loans are considered past due when payment has not been received for two normal billing periods or, when the billing period is not monthly, 60 calendar days following maturity.

  – Customer bank accounts showing overdrafts are reported as non-performing loans at the time the overdraft occurs.

Interest is recognized in income when it is accrued. The accrual of interest is suspended when loans become non-performing.

Interest accrued during the period in which the loan was considered non-performing is not recognized as income until collected.

The commissions collected for the initial granting of credits are recognized as a deferred credit under the heading of “Deferred credits and advanced collections”, which is amortized as interest income using the straight-line method over the term of the credit. Any other type of commission is recognized on the date that it is generated, under the heading of “Commissions and fee income”.

Incremental costs and expenses incurred for the initial granting of credits are recognized as a deferred charge, which must be amortized to the results of the year as an interest expense during the same accounting period in which revenues are recognized for collected commissions. As the Institution considers that the incremental costs and expenses incurred for the initial granting of credits are immaterial, they were recognized in results as they were incurred.

Commissions collected for annual credit card fees, whether for the first year or for subsequent renewals, are recognized as a deferred credit under the “Deferred credits and advance collection” heading and amortized over a 12-month period to the results of the year under the “Commissions and fee income” heading.

The costs and expenses incurred to grant credit cards are recognized as a deferred charge, which is amortized over a 12-month period to the results of the year under the respective heading, depending on the nature of the cost or expense.

Restructured non-performing loans are not considered as performing until the collection of three consecutive monthly payments without delay, or the collection of one installment when the amortization covers periods in excess of 60 days.

Renewed loans for which the debtor does not pay accrued interest on time, or does not pay at least 25% of the original loan amount, are considered non-performing until proof of timely payment.

Acquisitions of credit portfolio- On the acquisition date of the portfolio, the contractual value of the portfolio acquired must be recognized based on the type of portfolio which the originator would have classified; any difference generated in relation to the acquisition price is recorded as follows:

a) When the acquisition price is lower than its contractual value, in results of the year under the heading of “Other income”, up to the amount of the allowance for loan losses that was created as established in the following paragraph, and the surplus as a deferred credit, which will be amortized when the respective collections are made, based on the percentage which the latter represent of the contractual value of the credit;

b) When the acquisition price of the portfolio is higher than its contractual value, as a deferred charge, which will be amortized as the respective collections are made, based on the percentage which the latter represent of the contractual value of the credit;

c) When it comes from the acquisition of revolving credits, such difference will be carried directly to results of the year on the acquisition date.

Allowance for loan losses -

– *Commercial loan portfolio:*
  In accordance with the regulations regarding the methodology for classification of the loan portfolio, credit institutions will individually classify the commercial loan portfolio for the credits or group of credits owed by the same debtor, whose balance equals or exceeds an amount equivalent to 4,000,000 UDIs at the classification date for 2010 and 2009. The remainder is classified parametrically based on the number of months elapsed as of the first default. The portfolio owed by the Federal Government or with an express federal guarantee is exempted.

  For loans granted to states, municipalities and decentralized organizations, the Institution applies the regulatory methodologies established in the regulations, which require application of the base classifications assigned by the rating agencies (Fitch, MOODY’s, HR Ratings and S&P) authorized by the Commission (this classification must not be more than 24 months old) to evaluate the loan risk. Municipalities with a personal express guarantee from the government of their states may be classified with the degree of risk applicable to the state providing such guarantee. Finally, it is established that security interest on property must be evaluated with the same regulatory mechanism applied to any secured loans, and that when there is no federal participation, the risk classification must be increased by two levels.

In 2001 the Institution certified its internal classification scheme for debtor risk, Bancomer Risk Classification ("CRB"), before the Commission to comply with the requirements for classification of risk and the creation of allowances for loan losses.

On October 29, 2010, the Institution requested from the Commission the renewal of the application of the CRB internal methodology, which was authorized in official notice 111-2/23001/2011, effective up to November 30, 2012.

CRB is used to determine a client's creditworthiness through the weighted result of the grades based on five risk criteria, which include: performance, historical payment capacity, indebtedness capacity, projected payment capacity and macroeconomic conditions. These criteria represent the valuation of the client's profile, the financial position of the company and the economic status of the industry, which are measured through the grading of various quantitative and qualitative credit risk factors, weighted through the application of a single algorithm and fixed weighting parameters. The design of this algorithm and its associated weighting factors are the result of statistical and econometric analyses applied to historical data for several years.

The internal classification system presents different levels of risk, which identify credits on a level of acceptable risk, credits under observation and credits of unacceptable risk or in default. The risks included in the CRB model are summarized in the following list:

Level

1. Exceptional
2. High
3. Good
4. Adequate
5. Potential weakness
6. Actual weakness
7. Critical weakness
8. Loss

The comparability of the CRB with Regulatory Risk Classification is based upon an analysis of equivalency of default probabilities between the CRB and the Debtor's Risk Classification according to the Commission, and is as follows:

CRB	Commission's Classification Equivalent	Payment Experience
1	A1	
2	A1	
3	A2	
4	B1	Non-payment for less than 30 days
4	B2	Non-payment for 30 days or more
5	B3	Non-payment for less than 30 days
5	C1	Non-payment for 30 days or more
6	C1	Non-payment for less than 30 days
6	C2	Non-payment for 30 days or more
7	D	
8	E	

Once the borrower's rating is determined according to this procedure, each loan is initially classified based on the borrower's rating, and subsequently, based on the value of the respective collateral, the Institution determines the portion of the loan balance covered by the discounted value of collateral and the portion of the exposed balance. The rating assigned to the covered portion can be modified based on collateral quality. Also, the exposed portion will maintain the initial loan rating provided that it is between A1 and C1 or it must be set at risk level E, if the initial loan rating is C2, D or E. Furthermore, the Regulations establish various criteria to determine the value of collateral based on the case in which it can be converted to cash.

The allowances for the losses from the commercial loan portfolio created by the Institution as a result of the individual classification of each loan will be classified in accordance with the following percentages:

Probability of Default			Risk Level
0%	to	0.50%	A1
0.51%	to	0.99%	A2
1.00%	to	4.99%	B1
5.00%	to	9.99%	B2
10.00%	to	19.99%	B3
20.00%	to	39.99%	C1
40.00%	to	59.99%	C2
60.00%	to	89.99%	D
90.00%	to	100.0%	E

The Institution records the respective allowance for loan losses on a monthly basis, applying the results of the classification performed quarterly to the balance of the loans as of the last day of each month.

– *Mortgage portfolio:*

The allowance for loan losses on the mortgage portfolio is determined by applying specific percentages to the unpaid balance of the debtor, net of supports (the amount of final aid support or ADE owed by the Institution was 100% provisioned as a result of the initial application of the Regulations), stratifying the total amount of the portfolio based on the number of monthly installments that report default of payments that are due and payable at the classification date (expected loss model).

For each stratum, the allowances for loan losses will be determined by applying specific percentages based on the following items:

- Probability of default: the allowance percentages for this item range from between 1% to 90% up to four months in default, depending on the type of mortgage portfolio, and from between 95% to 100 % for five months on more in default.

- Severity of loss: the allowance percentages for this item are 35% for credits up to six months in default, 70% for between seven and 47 months in default and 100% for 48 months or more in default.

The allowances for loan losses on the mortgage portfolios established by the Institution as the result of classifying the loans will be based on the following percentages:

Risk Level	Percentage of Allowance for Loan Losses		
A	0	to	0.99%
B	1	to	19.99%
C	20	to	59.99%
D	60	to	89.99%
E	90	to	100.00%

At December 31, 2010 and 2009, the rating and creation of the allowance for mortgage loan losses are prepared based on figures at the last day of each month and presented to the Commission within 30 days following the rated month, according to the percentages and reserves applicable to each portfolio type, as discussed above.

– *Consumer loan portfolio that does not include credit card operations:*

In relation to the consumer credit portfolios that does not include credit card operations, with balances at the end of each month, the applicable procedure at such date is as follows:

I. The total amount of the portfolio will be stratified based on the number of billing periods that as of the classification date report noncompliance with their due payment date established by the Institution, using the data on the history of payments of each credit in the Institution, of at least 9, 13 or 18 periods prior to such date, as indicated in the table below. When the credit was granted within the aforementioned term, the data available at that date are used.

II. The allowances for loan losses are determined from applying the allowance for loan loss percentages indicated below, to the total amount of the unpaid balance of the credits located in each stratum, depending on whether the billing periods in default are weekly, semimonthly, or monthly. The Institution does not include the uncollected interest earned recorded in the balance sheet of payments which are in past-due portfolio. The uncollected interest earned on past-due portfolio is fully reserved at the time of its transfer.

If the portfolio contains guarantees or payments owed to the Institution, the hedged balance is considered as zero noncompliance periods for provisioning effects.

Table applicable for credits with weekly, semimonthly and monthly billing:

Billing periods	Weekly Reserve Percentages	Semimonthly Reserve Percentages	Monthly Reserve Percentages
0	0.50%	0.50%	0.50%
1	1.50%	3%	10%
2	3%	10%	45%
3	5%	25%	65%
4	10%	45%	75%
5	20%	55%	80%
6	30%	65%	85%
7	40%	70%	90%
8	50%	75%	95%
9	55%	80%	100%
10	60%	85%	100%
11	65%	90%	100%
12	70%	95%	100%
13	75%	100%	100%
14	80%	100%	100%
15	85%	100%	100%
16	90%	100%	100%
17	95%	100%	100%
18 or more	100%	100%	100%

The following table is used to locate the degree of risk of nonrevolving and revolving consumer portfolio, based on the percentage in the above table, for the applicable percentage ranges of the allowances:

Level of risk	Percentage ranges of allowances for loan losses
A	0 to 0.99%
B	1 to 19.99%
C	20 to 59.99%
D	60 to 89.99%
E	90 to 100.00%

– *Consumer credit card loan portfolio:*

On August 12, 2009, the Commission issued a Ruling to amend the Regulations, which modifies the methodology used to rate the consumer portfolio and to allow it to reflect the expected transaction loss derived from the current environment. This new methodology divides the consumer portfolio into two groups depending on whether they involve credit card transactions or not.

The credit card consumer portfolio must be provisioned and rated on a credit-by-credit basis, while considering the probability of noncompliance, loss severity and noncompliance exposure. If there are less than 10 consecutive outstanding payments at the calculation date, the loss severity is considered to be 75%, but as 100% whenever there are 10 or more consecutive outstanding payments. Compliance exposure is determined by applying a formula which considers the borrower's total outstanding balance and credit limit. A provision equal to 2.68% of the credit limit must be created for inactive accounts.

The initial accrued effect derived from the application of the credit card consumer portfolio rating methodology can be recognized based on two alternatives:

– In stockholders' equity, within the result of prior years, or

– By recognizing the total amount of reserves over a 24-month period, in which 50% must be recognized immediately following the month in which this ruling took effect, and the other 50% over the remaining 23-month period.

The Institution opted to recognize the initial effect derived from its application of the credit card consumer portfolio rating methodology by recording this effect under stockholders' equity, net of the respective deferred tax effect, under the heading of "Result of prior years". This effect was $953.

The Commission approved the Institution's request to apply an internal credit card rating model on June 22, 2009, in the understanding that it will be used as of the month in which the Institution notifies the Commission of its intention to do so. Similarly, on August 31, 2009, the Institution notified the Commission of its decision to apply this internal model and that the initial accrued effect derived from its application would be recorded in stockholders' equity in conformity with the modification issued by the Commission.

During the year 2010, the Institution requested authorization from the Commission to apply new parameters for classification of revolving consumer credit portfolio used in its "Internal methodology for expected loss"; such authorization was granted in official notice 111-2/23006/2011 dated January 25, 2011.

The internally developed rating methodology involves calculating the expected 12-month loss based on the following items:

– Noncompliance probability – Based on variables including portfolio type, account aging, admission tool or the behavior of loans with at least three outstanding payments, together with a 100% rating for loans with three or more outstanding payments.

– Loss severity – Is calculated based on variables like portfolio type, balance aging and noncompliance period.

– Exposure – Is determined according to the credit limit and current balance.

The allowance for credit card losses created by the Institution following this credit rating process is classified according to the following percentages:

Level of risk	Reserve percentages
A	0 to 0.99%
B-1	1 to 2.50%
B-2	2.51 to 19.99%
C	20 to 59.99%
D	60 to 89.99%
E	90 to 100.00%

As of December 31, 2010 and 2009, the classification and creation of the allowance for loan losses of the consumer credit portfolio is performed with figures as of the last day of each month and is presented to the Commission at the latest as of the 30 days following the month classified, in accordance with the reserve percentages applicable to each type of portfolio, as indicated above.

Additionally, a reserve is recognized for the total amount of the uncollected interest earned applicable to credits that are considered as past-due portfolio.

– *Additional reserves*

The additional reserves reflect internal rating models for mortgage loans, net of support, and consumption (credit card and personal consumption), which consists of applying specific percentages (expected loss) to the unpaid balance of the debtor.

Securitization with transfer of ownership - By securitizing the mortgage portfolio with transfer of ownership, the Institution (the "Transferor") transfers the financial assets through a securitization vehicle (the "Trust"), to enable the latter to issue securities through an intermediary (the "Casa de Bolsa"), for placement among small investors, which represent the right to the returns or the proceeds generated from the securitized financial asset, and as consideration the Transferor receives cash and a certification granting it the right to the remaining flows from the Trust after payment of the certificates to their holders.

The Transferor provides administrative services for the transfer of the financial assets and recognizes in results of the year the revenues derived from such services at the time they are earned. Such revenues are presented under the heading of "Commissions and fee income". Any expenses incurred from managing the Trust will be reimbursed by the Trust itself with the prior authorization of the Common Representative, provided that the Trust has sufficient cash flows to make such reimbursement. The Transferor will hold any payments made on account of the Trust in debtor accounts until the latter reimburses such expenses.

On December 17, 2007, the Commission authorized the Institution, through Official Letter number 153/1850110/2007, of the registration in of the National Securities Register of the Share Certificate Issuance Program up to the amount of $20,000 or its equivalent in UDIs with an effective term of five years computed as of the authorization date; such program is revolving.

On August 4, 2009, the Institution released its fifth issuance of mortgage portfolio securitization certificates for the amount of $6,545, derived from the Securitization Certificates Issuance Program authorized by the Commission.

On December 30, 2009, the Institution made a private placement of securities supported by Fiduciary Certificates obtained from the five securitizations of the mortgage portfolio of Trusts 711, 752, 781, 847 and 881.

The Institution recognized the securitized transactions performed during 2009 according to the new accounting criteria issued by the Commission in April 2009 regarding "Asset recognition and derecognition", "Securitized transactions" and "Consolidation of special-purpose entities". After applying these criteria, the Institution derecognized the securitized assets held by the trusts, which were subsequently consolidated on its balance sheet. Accordingly, these assets are recorded under assets in the balance sheet. The securitizations performed prior to 2009 are not consolidated, based on the treatment established by the Commission.

At December 31, 2010, the heading “Receivable benefits from securitized transactions”, with a balance of $1,256, represents the amount of Fiduciary Certificates derived from unconsolidated securitizations.

The benefit valuation methodology applied to the securitized transaction remnant is detailed below:

> The Institution has tools to measure and quantify the impact of securitized transactions on the balance sheet and statement of income based on the cost of funding, release of capital, reserves and liquidity levels when structuring issuances and during the life of each.
>
> The valuation system measures the follow-up of certificate performance and the subordinated portions recorded by the Institution and, if applicable, it also values the bond position to consider its possible sale on a secondary market.
>
> The valuation model is used to calculate the Institution's constant historical prepayment rate computation, the mortality rate, current credit percentage, interest rate, issuance amount and appraisal percentage guarantee, among other items.
>
> Notwithstanding the above, the Institution, maintaining a conservative position, has decided not to recognize the valuation of the benefits on the remnant of securitization transactions of the trusts 711, 752, 781 and 847, which resulted from the application of the methodology explained above, and recognized only the amortization of the value of the confirmed cash flows received from such trusts, which are held at nominal cost.

The characteristics of securitization contracts executed during 2009 are detailed in Note 14.

Other receivables - Balances of sundry debtors that are not settled within the 60 or 90 days following their initial recognition (the number of days depend on whether balances are identified or not) are reserved with a charge to results of the year, regardless of the possibilities of recovery.

The debit and credit balances of the transaction settling accounts represent currency and security purchases and sales recorded on the date of transaction.

Repossessed assets or assets received as payment- in- kind - Repossessed assets or assets received as payment in kind are recorded at the lower of net realizable value or cost. The cost is understood as the value set for purposes of asset foreclosure as a result of lawsuits claiming rights in favor of the Institution, when the price agreed between the parties involves payments in kind.

On the recording date of the repossessed assets or assets received through payment in kind, the value of the asset which originated the foreclosure, as well as its respective reserve, must be canceled from the balance sheet, or the portion involving accrued or overdue payments settled through the partial payments in kind referred to by criterion B-6, “Loan Portfolio”.

If the value of the asset which originated the foreclosure, net of reserves, exceeds the value of the repossessed assets, the difference will be recognized in results of the year under the heading “Other income (expenses)”.

When the value of the asset that originated the foreclosure, net of reserves, is less than the value of the repossessed assets, the value of the latter must be adjusted to the net value of the asset.

Repossessed assets are valued according to the type of asset in question, and such valuation must be recorded against results of the year as “Other income (expenses)”, as the case may be.

In accordance with the Regulations, the mechanism to follow in determining the allowance for holding repossessed assets or assets received as payment in kind, is as follows:

Allowance for personal property

Time elapsed as of the repossession or payment-in-kind (months)	Allowance percentage
Up to 6	0%
More than 6 and up to 12	10%
More than 12 and up to 18	20%
More than 18 and up to 24	45%
More than 24 and up to 30	60%
More than 30	100%

Allowance for real estate property

Time elapsed as of the repossession or payment-in-kind (months)	Allowance percentage
Up to 12	0%
More than 12 and up to 24	10%
More than 24 and up to 30	15%
More than 30 and up to 36	25%
More than 36 and up to 42	30%
More than 42 and up to 48	35%
More than 48 and up to 54	40%
More than 54 and up to 60	50%
More than 60	100%

***Property, furniture and equipment* -** They are recorded at acquisition cost. The assets that come from acquisitions up to December 31, 2007 were restated by applying factors derived from the UDIs up to that date. The related depreciation and amortization is recorded by applying a given percentage based on the estimated useful life of such assets to the cost restated to that date.

Depreciation is determined based on the cost (or the cost restated until 2007), using the straight-line method as of the month following the acquisition date. The annual depreciation rates are as follows:

	Rate
Real estate	2.5%
Computer equipment	25%
ATM's	12.5%
Furniture and equipment	10%
Vehicles	25%
Machinery and equipment	10%

The Institution capitalizes the interest earned from financing as part of construction in progress.

***Impairment of long-lived assets in use* -** The Institution reviews and, as necessary, adjusts the book value of long-lived assets in use in the presence of any indicator of the existence of impairment whereby such value might not be recoverable in the event of its eventual disposal.

***Equity investments* -** This item represents investments in affiliates. Investments in affiliates are valued using the equity method based on the book value of their latest available financial statements.

***Income taxes* -** The income tax (ISR), and the Business Flat Tax (IETU) are recorded in results of the year in which they are incurred. To recognize deferred income taxes, based on its financial projections, the Institution must determine whether it will incur ISR or IETU and recognize deferred taxes for the tax that it will essentially pay. Deferred taxes are recognized by applying the respective rate to the temporary differences resulting from comparing the book and tax values of assets and liabilities, including the benefit of tax loss carryforwards. A deferred tax asset is only recorded when its recovery is highly likely.

The effect of all the items above is presented net in the balance sheet within the caption "Deferred taxes".

Goodwill - The goodwill generated for the excess of the cost over fair value of subsidiaries on the acquisition date was recognized in accordance with the provisions of Bulletin C-15, *Impairment in the Value of Long-Lived Assets and Their Disposal*, and is subject to annual impairment tests.

Labor liabilities - Under Mexican Labor Law, the Institution is liable for the payment of severance indemnities and seniority premiums to employees terminated under certain circumstances.

The Institution records the liability for severance payments, seniority, pensions, comprehensive medical services and life insurance as it is accrued, in accordance with actuarial calculations based on the projected unit credit method, using nominal rates in 2010 and 2009. The Institution recognizes the actuarial gains and losses against the result of the year, in accordance with NIF D-3 *Employee Benefits*.

Therefore, the liability is being recognized which, at present value, will cover the benefits obligation projected to the estimated date of retirement of the employees working at the Institution, as well as the obligation derived from the retired personnel.

Sundry provisions - Sundry provisions are recognized for present obligations as a result of past events, that are probable to result in the future use of economic resources and that can be reasonably estimated.

Foreign currency transactions - Foreign currency transactions are recorded at the exchange rate effective at the transaction date except for those generated by foreign branches, which are translated by using the fixed exchange rate at the close of each period. Assets and liabilities denominated in foreign currency are adjusted at the period end exchange rate published by Banco de México. Exchange fluctuations related to these assets and liabilities are charged to the income statement.

Financial margin - The Institution's financial margin is composed by the difference between total interest income less interest expense.

Interest income is composed by the general returns generated by the loan portfolio based on the periods established in loans executed with borrowers and negotiated interest rates, the application of interest collected in advance, the premiums or interest accrued by deposits made with financial entities, bank loans, margin call accounts, securities investments, repurchase agreements and securities loans, together with debt placement premiums, commissions collected for initially granting credit and the dividends of equity instruments are included in interest income.

Interest expense is composed by the Institution's fund attraction premiums, discounts and interest, bank loans, repurchase agreements, securities loans, debentures, debt placement issuance expenses and discounts. The amortization of costs and expenses incurred to originate loans is included within interest expenses.

Memorandum accounts-

– *Contingent assets and liabilities:*

  Contingent assets and liabilities represent the amount of the economic penalties levied by the Commission and any other administrative or legal authority, until due compliance with the obligation to pay such penalties for having filed a motion for reconsideration.

– *Credit commitments:*

  Credit commitments represent the amount of letters of credit granted by the Institution which are considered as irrevocable commercial credits not utilized by the borrowers, and unused authorized credit lines. The items recorded in this account are subject to credit classification.

– *Assets in trust or under mandate:*

Assets in trust include the value of the goods received in trust, and the data related to the administration of each one is kept in separate records. Assets under mandate record the declared value of the goods subject to mandate contracts executed by the Institution.

– *Assets in custody or under administration:*

This account is used to record the goods and securities which are received from third parties for custody or to be administered by the Institution.

– *Collateral received by the Institution:*

This balance represents the total amount of collateral received in repurchase transactions and securities loans, with the Institution acting as the repurchasing party and borrower.

– *Collateral received and sold or given in guarantee by the Institution:*

This balance represents the total collateral received and sold or given in guarantee when the Institution acts as a repurchasing party and borrower.

5. Principal differences compared to MFRS

The consolidated financial statements have been prepared in accordance with the accounting rules established by the Commission which, in the following instances, differ from MFRS, which is commonly applied in the preparation of financial statements for other types of unregulated entities:

– The accounting criteria issued by the Commission allow the transfer of securities classified as held to maturity to available for sale provided it does not have the intention or capacity to hold them to maturity. Likewise, securities can be reclassified from the category of securities held to maturity or negotiable securities to that of securities available for sale, albeit with the authorization of the Commission. According to Financial Information Standards Interpretation No. 16, *Transfers of Categories of Financial Instruments Held for Trading Purposes* (INIF 16), financial instruments held for trading purposes can be transferred to the categories of securities available for sale or securities held to maturity in those cases in which a primary financial instrument trades on an illiquid market and provided it fulfills certain requirements.

– The amount of collateral given in cash, securities or other highly liquid assets in transactions involving derivatives on recognized markets or stock exchanges is presented under a specific balance sheet heading denominated “Margin call accounts” instead of being presented under the heading of “Derivatives”, as established by MFRS.

– The initial recognition derived from the new credit card portfolio rating methodology authorized by the Commission described in Note 4 was recorded with a charge to stockholders' equity in the “Result of prior years” account, but was not applied to the result of the year as required by the MFRS.

– Under the rules of the Commission, accrued interest income on past-due loans is recorded in memorandum accounts. When such interest is collected, it is recognized directly in the results of the year. MFRS require the recording of the interest earned in results and recognition of the respective allowance.

– Sundry debts not collected in 90 or 60 days, depending on their nature, are reserved with a charge to results of the year, regardless of their possible recovery.

– The new accounting criteria related to the consolidation of special-purpose entities, securitized transactions (which became effective on January 1, 2009) and the recognition and elimination of financial assets (which became effective as of October 14, 2008) are applied prospectively and do not modify the effects of transactions performed prior to the application date and which are still current.

6. Cash and cash equivalents

At December 31, 2010 and 2009, cash and due from banks consisted of the following:

	2010	2009
Cash	$ 35,794	$ 40,098
Banks	(14,042)	10,480
Restricted funds	96,498	90,993
Other quick funds	86	86
	$ 118,336	$ 141,657

Banks include deposits in domestic and foreign banks in Mexican pesos and U.S. dollars, translated at the exchange rate published by Banco de México of $12.3496 and $13.0659 per U.S. dollar, as of December 31, 2010 and 2009, respectively, and are comprised as follows:

	Mexican pesos		U.S. Dollars (in Mexican pesos)		Total	
	2010	2009	2010	2009	2010	2009
Deposits with foreign credit institutions	$ -	$ -	$ 7,527	$ 20,364	$ 7,527	$ 20,364
Delivery foreign currency	-	-	(22,741)	(12,249)	(22,741)	(12,249)
Banco de México	(1)	-	330	45	329	45
Domestic banks	809	2,279	34	41	843	2,320
	$ 808	$ 2,279	$ (14,850)	$ 8,201	$ (14,042)	$ 10,480

Circular Telefax 30/2002 of Banco de México included instructions for the creation of a new monetary regulation deposit for all credit institutions, whose duration is indefinite with interest payable every 28 days, which began to accrue as of September 26, 2002, the date of the first deposit. Such Circular was repealed as of August 21, 2008 and Circular Telefax 30/2008 went into effect, retaining the same conditions as the previous one. As of December 31, 2010 and 2009, the monetary regulation deposits and interest of the Institution are $65,103 and $65,096, respectively, and are included in the balance of “Restricted funds”.

As of December 31, 2010 and 2009, restricted funds available are composed as follows:

	2010	2009
Monetary regulation deposits	$ 65,103	$ 65,096
Foreign exchange receivables	27,183	18,300
Call money interbank loans	4,212	7,597
	$ 96,498	$ 90,993

7. Margin call accounts

At December 31, 2010 and 2009, margin call accounts are composed as follows:

	2010	2009
Collateral granted for OTC derivatives	$ 3,362	$ 3,531
Derivatives margin in authorized markets	3,047	1,826
Other restricted deposits	298	355
Margin of ADR´s	431	159
Granted loan guarantees	208	1

	$ 7,346	$ 5,872

8. Securities

At December 31, 2010 and 2009, financial instruments were as follows:

a. ***Trading-***

Instrument	2010 Acquisition Cost	2010 Accrued Interest	2010 Increase (Decrease) due to Valuation	2010 Book Value	2009 Book Value
Equity securities	$ 8,025	$ -	$ 125	$ 8,150	$ 12,130
BPAS (saving protection bonds)	29,676	220	1	29,897	5,741
Sovereign debt Eurobonds	3,352	47	97	3,496	3,502
Investment funds	19	-	-	19	1,023
Bonds	11,812	11	-	11,823	471
T BILLS	-	-	-	-	131
Corporate Eurobonds	34	1	-	35	41
CETES	3,842	-	-	3,842	4
Notes with interest payable at maturity	2,010	-	-	2,010	4
Stock market certificates	768	5	(11)	762	2
Interchangeable stock market certificates	1	-	-	1	1
Certificates of deposit	1,778	1	-	1,779	-
Fixed–rate bonds	5,560	27	31	5,618	-
Udibonds	31	2	1	34	-
ADR´S	136	-	19	155	-
Commercial paper	6,175	-	-	6,175	-
Total	$ 73,219	$ 314	$ 263	$ 73,796	$ 23,050

During 2010 and 2009, valuation income and losses for net amounts of $(911) and $1,814, respectively, were recorded in result of the year.

At December 31, 2010, the remaining periods of these investments were as follows:

Instrument	Within 1 Month	Over 3 Months	No Fixed Term	Acquisition Cost
Equity securities	$ -	$ -	$ 8,025	$ 8,025
BPAS (saving protection bonds)	1,309	28,367	-	29,676
Sovereign debt Eurobonds	-	3,352	-	3,352
Investment funds	19	-	-	19
Bonds	103	11,709	-	11,812
Fixed-rate bonds	-	5,560	-	5,560
Corporate Eurobonds	-	34	-	34
CETES	594	3,248	-	3,842
Udibonos	-	31	-	31
Notes with interest payable at maturity	2,010	-	-	2,010
Stock market certificates	-	768	-	768
Interchangeable stock market certificates	-	1	-	1
Certificates of deposit	402	1,376	-	1,778
ADR'S	-	-	136	136
Commercial paper	6,175	-	-	6,175
Total	$ 10,612	$ 54,446	$ 8,161	$ 73,219

The collaterals granted as of December 31, 2010 and 2009 were composed as follows:

	2010				2009
	Acquisition Cost	Accrued Interests	Increase (Decrease) due to Valuation	Book Value	Book Value
Bonds	$ 541	$ (1)	$ -	$ 540	$ 7,057
Fixed-rate bonds	3,337	-	2	3,339	1,626
CETES	-	-	-	-	2
T BILLS	7,212	1	-	7,213	-
Bonds guarantee to be received for security loans	11,090	-	2	11,092	8,685
Bonds	27,679	(2)	(6)	27,671	72,262
BPAS (saving protection bonds)	20,031	(12)	-	20,019	59,413
Fixed-rate bonds	6,783	(24)	37	6,796	15,801
CETES	3,174	-	-	3,174	14,765
Udibonds	3,315	-	-	3,315	1,461
Stock market certificates	1,198	-	-	1,198	744
Bank bonds	583	-	-	583	-
Interchangeable stock market certificates (CBIC'S)	1,125	-	15	1,140	-
Commercial paper	354	-	-	354	184
Bonds guarantee to be received for repurchase agreements	64,242	(38)	46	64,250	164,630
Guarantee T-Bills receivable from derivatives	7,039	3	3	7,045	7,660
Total	$ 82,371	$ (35)	$ 51	$ 82,387	$ 180,975

Value date purchases at December 31, 2010 and 2009, were composed as follows:

	2010				2009
	Acquisition Cost	Interest Earned	Increase (Decrease) from Valuation	Book Value	Book Value
Fixed-rate bonds	$ 810	$ 2	$ 2	$ 814	$ 907
CETES	115	-	-	115	98
Equity securities	498	-	2	500	81
ADR'S	4	-	-	4	-
Interchangeable stock market certificates (CBIC'S)	49	1	1	51	-
Stock market certificates	10	-	-	10	-
Saving protection bonds	105	-	-	105	-
Udibonds	120	-	-	120	-
	$ 1,711	$ 3	$ 5	$ 1,719	$ 1,086

Value date sales at December 31, 2010 and 2009, were composed as follows:

	2010				2009
	Acquisition Cost	Interest Earned	Increase (Decrease) from Valuation	Book Value	Book Value
BPAS (saving protection bonds)	$ (50)	$ -	$ -	$ (50)	$ (2,440)
Fixed-rate bonds	(1,696)	(4)	(1)	(1,701)	(687)
Equity securities	(298)	-	(32)	(330)	(368)
CETES	(209)	-	-	(209)	(101)
Corporate Eurobonds	(4)	-	-	(4)	-
Interchangeable stock market certificates (CBIC'S)	(10)	-	-	(10)	-
Stock market certificates	(25)	-	-	(25)	-
ADR'S	(4)	-	-	(4)	-
Udibonds	(844)	(2)	(1)	(847)	-
	(3,140)	(6)	(34)	(3,180)	(3,596)
Total trading securities	$ 154,161	$ 276	$ 285	$ 154,722	$ 201,515

b. ***Available for sale-***

Instrument	2010 Acquisition Cost	2010 Accrued Interest	2010 Increase (Decrease) due to Valuation	2010 Book Value	2009 Book Value
Fixed-rate bonds	$ 43,673	$ 78	$ 936	$ 44,687	$ 31,760
Sovereign debt Eurobonds	-	-	-	-	7,917
Stock market certificates	955	5	239	1,199	4,046
Visa Shares	551	-	331	882	3,307
ADR'S	560	-	385	945	-
Equity securities	11	-	(6)	5	2
Certificates of deposit	3,238	19	58	3,315	-
Total	$ 48,988	$ 102	$ 1,943	$ 51,033	$ 47,032

At December 31, 2010, the remaining scheduled maturities of the above instruments were as follows:

Instrument	Over 1 Months	Over 3 Months	No fixed Term	Acquisition Cost
Fixed-rate bonds	$ -	$ 43,673	$ -	$ 43,673
ADR'S	560	-	-	560
Stock market certificates	-	955	-	955
Certificate of deposit	-	3,238	-	3,238
Visa Shares	-	-	551	551
Equity securities	-	-	11	11
Total	$ 560	$ 47,866	$ 562	$ 48,988

Collaterals granted as of December 31, 2010 and 2009 were as follows:

Instrument	2010 Acquisition Cost	2010 Accrued Interests	2010 Increase (Decrease) due to Valuation	2010 Book Value	2009 Book Value
Fixed-rate bonds	$ 65,604	$ (340)	$ 1,750	$ 67,014	$ 52,172
Certificates of deposit	-	-	-	-	10,003
Cedes	618	-	2	620	3,949
Stock market certificates	3,873	-	215	4,088	3,102
BPAS (saving protection bonds)	2,004	-	-	2,004	1,000
Bonds	999	-	-	999	-
Bonos Ibrd	213	-	1	214	218
Total guarantees to be received for repurchase agreements	$ 73,311	$ (340)	$ 1,968	$ 74,939	$ 70,444
Total securities available for sale	$ 122,299	$ (238)	$ 3,911	$ 125,972	$ 117,476

c. ***Held to maturity-***

The following securities have medium and long-term maturities:

Instrument	2010 Acquisition Cost	2010 Accrued Interest	2010 Book Value	2009 Book Value
Government bonds- Mortgage debtor support program	$ 12,561	$ -	$ 12,561	$ 12,019
Government bonds- State and Municipality debtor support program	1,482	-	1,482	1,417
U.S. Treasury securities	264	3	267	180
Certificate of deposit	1	-	1	-
Sovereign debt Eurobonds	37	-	37	40
Total	$ 14,345	$ 3	$ 14,348	$ 13,656

For the years ended December 31, 2010 and 2009, the yields related to the overall held to maturity portfolio, recorded in the result of the year, amounted to $606 and $753, respectively.

9. Repurchase transactions

As of December 31, 2010 and 2009, repurchase transactions were composed as follows:

a. ***Repurchase agreement debtors-***

As repurchasing party:

Instrument	2010 Asset Side: Receivable Under Repurchase Agreements	2010 Liability Side: Collateral Sold or Delivered in Guarantee	2010 Credit Balance	2009 Asset Side: Receivable Under Repurchase Agreements	2009 Liability Side: Collateral Sold or Delivered in Guarantee	2009 Debit Balance
Government securities						
BPAS (saving protection bonds)	´$ 26,985	$ 26,992	$ (7)	$ 23,486	$ 22,947	$ 539
Bonds	24,757	24,764	(7)	3,324	3,212	112
Fixed-rate bonds	16,332	16,337	(5)	1,625	1,624	1
CETES	872	872	-	-	-	-
Udibonds	-	-	-	81	81	-
Total	$ 68,946	$ 68,965	$ (19)	$ 28,516	$ 27,864	$ 652

b. ***Repurchase agreement creditors*** -

As reselling party:

Instruments		2010 Liability Side Payables Under Resale Agreements		2009 Liability Side Payables Under Resale Agreements
Government securities-				
Bonds	$	28,707	$	71,978
Fixed-rate bonds		71,971		67,589
BPAS (saving protection bonds)		22,038		59,150
CETES		3,174		24,769
Stock market certificate		6,720		8,529
CEDES		621		3,950
Udibonds		3,315		1,461
CBIC´S		1,125		-
Secured commercial paper		355		184
Total	$	138,026	$	237,610

c. ***Securities loan debtors and creditors:***

Borrower:

Instrument	2010 Memoranda accounts: Collateral Received for Securities Loans	2010 Memoranda accounts: Collateral Received for Loans and Sold or Given in Guarantee	2010 Liability portion: Creditors from Collateral Sold or Given in Guarantee	2009 Memoranda accounts: Collateral Received for Securities Loans	2009 Memoranda accounts: Collateral Received for Loans and Sold or Given in Guarantee	2009 Liability portion: Creditors from Collateral Sold or Given in Guarantee
Government securities						
Equity securities	$ 203	$ 203	$ 203	$ -	$ -	$ -
Bonds	-	-	-	1	1	1
Fixed-rate bonds	9,404	9,404	9,404	7,054	7,054	7,054
Udibonds	152	152	152	-	-	-
CETES	1,009	1,009	1,009	1,427	1,427	1,427
Total	$ 10,768	$ 10,768	$ 10,768	$ 8,482	$ 8,482	$ 8,482

Premiums were recognized in the results of 2010 and 2009 for the amount of $30 and $9, respectively.

10. Derivatives

At December 31, 2010 and 2009, securities and derivative transactions were as follows:

a. ***Derivatives*** - The chart below shows the open derivative instrument transactions of the Institution as of December 31, 2010 and 2009. The currency position generated by these derivative instruments must be added to the position in the balance sheet in order to obtain the year-end position amount analyzed in Note 28.

Trading:

Transaction	2010 Notional Amount Asset	Liability	Balance Debtor	Creditor
Futures long position	$ 152,499	$ 152,499	$ -	$ -
Futures short position	48,873	48,873		
Forward long position	162,410	165,628	814	4,026
Forward short position	161,595	158,215	4,319	945
Options purchased	3,955	-	3,454	-
Options sold	-	5,562	-	5,061
Swaps	523,605	530,494	46,011	52,900
	$ 1,052,937	$ 1,061,271	$ 54,598	$ 62,932

Transaction	2009 Notional Amount Asset	Liability	Balance Debtor	Creditor
Futures long position	$ 135,300	$ 135,300	$ -	$ -
Futures short position	93,653	93,653	-	-
Forward long position	139,512	138,282	4,004	2,775
Forward short position	109,439	110,594	2,081	3,235
Options purchased	5,826	-	1,811	-
Options sold	-	6,324	-	2,309
Swaps	611,048	619,377	46,048	54,377
	$ 1,094,778	$ 1,103,530	$ 53,944	$ 62,696

Hedging:

Transaction	2010 Notional Amount Asset	Liability	Balance, net Debtor	Creditor
Forward short position	$ 3,039	$ 2,981	$ 61	$ 3
Swaps	32,183	29,005	4,594	1,416
	$ 35,222	$ 31,986	$ 4,655	$ 1,419

Transaction	2009 Notional Amount Asset	Liability	Balance, net Debtor	Creditor
Forward long position	$ 676	$ 670	$ 6	$ -
Forward short position	862	847	15	-
Swaps	31,074	26,975	5,429	1,330
	$ 32,612	$ 28,492	$ 5,450	$ 1,330

a1. ***Futures and forward contracts*** - For the year ended December 31, 2010, the Institution carried out transactions in market recognized (Mexican Derivatives Market (Mex-Der) Chicago and ITAU), generating a US dollar futures loss of $2,651, in IPC futures of $232, in CETES and TIIE futures of $1,797, in fixed-rate bonds futures of $587 and options for $35.

It also entered into forward contracts with the principal foreign currencies. At the close of the year the following contracts are open:

Trading:

		Sales		Purchases		
Type of Transaction	**Underlying**	**Receivable**	**Contract Value**	**Contract Value**	**Deliverable**	**Book Balance**
Futures	TIIE	$ 28,167	$ 28,167	$ 112,060	$ 112,060	$ -
	Euro Dollars	7,634	7,634	9,742	9,742	-
	M10 bond	1,739	1,739	4,095	4,095	-
	Index	9,170	9,170	9,282	9,282	-
	U.S. dollars	2,052	2,052	13,220	13,220	-
	CETES	100	100	4,100	4,100	-
	Equity securities	11	11	-	-	-
		$ 48,873	$ 48,873	$ 152,499	$ 152,499	$ -
Forwards	U.S. dollars	$ 152,255	$ 148,674	$ 145,928	$ 148,876	$ 633
	Index	9,256	9,457	-	-	(201)
	Equity securities	84	84	16,482	16,752	(270)
		$ 161,595	$ 158,215	$ 162,410	$ 165,628	$ 162

Hedging:

		Sales		Purchases		
Type of Transaction	**Underlying**	**Receivable**	**Contract Value**	**Contract Value**	**Deliverable**	**Book Balance**
Forwards	Bono M	$ 2,130	$ 2,133	$ -	$ -	$ (3)
	US dollar	909	848	-	-	61
		$ 3,039	$ 2,981	$ -	$ -	$ 58

a2. ***Options*** - At December 31, 2010, option transactions were as follows:

Trading:

Type of Transaction		**Underlying**	**Reference Amount**	**Fair Value**
Purchases	OTC Options	Interest rates	$ 39,167	$ 757
		Index	55,073	2,981
		U.S. dollars	10,246	188
	Authorized market options	Equity securities and index	393	29
				$ 3,955

Type of Transaction		**Underlying**	**Reference Amount**	**Fair Value**
Sales	OTC Options	Interest rates	$ 82,100	$ 516
		Index	64,510	4,893
		U.S. dollars	9,476	104
	Authorized market options	Equity securities and index	362	49
				$ 5,562

a3. ***Swaps*** **-** At December 31, 2010, swap transactions were as follows:

Trading:

Underlying	Denomination	Contract Value Receivable	Contract Value Deliverable	Receivable	Deliverable	Net Position
Currency	U.S. dollars	$ 108,505	$ 131,752	$ 115,099	$ 140,403	$ (25,304)
	Mexican pesos	121,889	94,482	147,527	135,707	11,820
	UDI	50,595	59,021	34,917	27,895	7,022
	Euro	10,117	10,405	10,982	11,291	(309)
	Yen	9,424	9,424	9,667	9,669	(2)
	Colombian peso	5,539	4,324	5,447	5,666	(219)
	CHF	663	663	741	741	-
	Peruvian nuevo sol	771	744	850	830	20
				325,230	332,202	(6,972)
Interest rates	Mexican pesos		$ 670,997	$ 169,607	$ 170,795	$ (1,188)
	U.S. dollars		197,016	16,421	16,645	(224)
	Euro		1,462	1,459	15	1,444
				187,487	187,455	32
Equity securities	Mexican pesos		$ 367	$ -	$ 423	$ (423)
	U.S. dollars		13,912	10,891	10,241	650
	Euro		3,275	-	173	(173)
				10,891	10,837	54
CDS	U.S. dollars		$ 62	$ -	$ -	$ -
CRA	Mexican pesos		$ (3)	$ (3)	$ -	$ (3)
				$ 523,605	$ 530,494	$ (6,889)

The Institution entered into nominal interest rate swaps in Mexican pesos with various institutions, agreed to at annual rates ranging from 2.53% to 14.91%. At December 31, 2010, the reference amount of swaps was $670,997.

Hedging:

Underlying	Currency	Contract Value Receivable	Contract Value Deliverable	Receivable	Deliverable	Net Position
Currency	Euro	$ 9,938	$ -	$ 11,090	$ -	$ 11,090
	Mexican pesos		8,743	-	8,936	(8,936)
				11,090	8,936	2,154
			Contract Value			
Interest rates	Mexican pesos		$ 52,081	$ 13,132	$ 12,161	$ 971
	U.S. dollars		15,377	7,961	7,908	53
				21,093	20,069	1,024
				$ 32,183	$ 29,005	$ 3,178

The Institution entered into nominal interest rate swaps in Mexican pesos with various institutions, agreed to at annual rates ranging from 4.87% to 11.90%. At December 31, 2010, the reference amount of swaps was $52,081.

The collateral received in OTC derivatives as of December 31, 2010 and 2009 is shown below:

Cash Received as Guarantee of Derivatives	2010 Acquisition Cost	2010 Accrued Interests	2010 Book Value	2009 Book Value
Banco Bilbao Vizcaya Argentaria, S.A.	$ -	$ -	$ -	$ 4,898
Credit Suisse First Boston Europe	-	-	-	4,535
Merrill Lynch Capital Services Inc.	216	-	216	377
Calydon Corporate and Investment Bank	-	-	-	335
Royal Bank of Scotland PLC	-	-	-	39
Societe Generale	199	-	199	7
Credit Suisse Security	4,484	1	4,485	-
Standard Chartered	22	-	22	-
Docuformas S.A.P.I. C.V.	4	-	4	-
BNP Paribas NY Branch	52	-	52	-
BBVA Servex	2,237	1	2,238	-
Credit Agricole CIB	388	-	388	-
Total cash guarantees received	$ 7,602	$ 2	$ 7,604	$ 10,191

a4. ***Transactions with embedded derivatives-***

Trading:

	2010			
	Book Value		Balance	
Transaction Type	Asset	Liability	Debtor	Creditor
Options acquired	$ 7	$ -	$ 7	$ -
Options sold	-	36	-	36
Swaps	6,211	6,295	153	237
	$ 6,218	$ 6,331	$ 160	$ 273

	2009			
	Book Value		Balance	
Transaction Type	Asset	Asset	Asset	Asset
Options acquired	$ 33	$ -	$ 33	$ -
Options sold	-	90	-	90
Swaps	229	559	229	559
	$ 262	$ 649	$ 262	$ 649

a5. *Embedded (underlying) options-*

Trading

Type of Transaction		Underlying	2010 Nominal Amount	2010 Fair Value
Purchases	OTC options	Interest rates	$ 2,706	$ 7
Sales	OTC options	Interest rates	$ 168	$ -
		Index	372	35
		US dollar	1	1
			$ 541	$ 36

Type of Transaction		Underlying	2009 Nominal Amount	2009 Fair Value
Purchases	OTC options	Interest rates	$ 507	$ 29
		US dollar	6,179	4
			$ 6,686	$ 33
Sales	OTC options	Interest rates	$ 6,179	$ 443
		US dollar	406	123
		Index	-	1
			$ 6,585	$ 567

a6. *Embedded (underlying) swaps-*

		2010			
Underlying	**Currency**	**Face Value To Be Received**	**Market Value To Be Received**	**Market Value To Be Delivered**	**Fair Value**
Currency	Mexican peso	2,908	2,911	3,124	(213)
	US dollar	2,826	3,222	3,040	182
		$ 5,734	$ 6,133	$ 6,164	$ (31)
Interest rates	Mexican peso	$ 10,696	$ 78	$ 131	$ (54)

		2009			
Underlying	**Currency**	**Face Value To Be Received**	**Market Value To be Received**	**Market Value To Be Delivered**	**Fair Value**
Interest rates	Mexican peso	$ 6,266	$ 229	$ 559	$ (330)

11. Loan portfolio

Loans granted classified by type of loan at December 31, 2010 and 2009, were as follows:

Type of loan	Performing portfolio		Non-performing portfolio		Total	
	2010	2009	2010	2009	2010	2009
Commercial loans-						
Denominated in Mexican pesos-						
Commercial	$ 148,246	$ 157,354	$ 3,133	$ 2,823	$ 151,379	$ 160,177
Rediscounted portfolio	6,236	6,132	69	63	6,305	6,195
Lease portfolio	1,368	2,261	27	63	1,395	2,324
Denominated in U.S. dollars-						
Commercial	55,246	38,714	770	1,372	56,016	40,086
Rediscounted portfolio	711	939	30	57	741	996
Lease portfolio	134	136	-	-	134	136
Total commercial loans	211,941	205,536	4,029	4,378	215,970	209,914
Financial entities	8,540	8,732	5	-	8,545	8,732
Government entities	80,675	51,462	-	-	80,675	51,462
Total trade loans	301,156	265,730	4,034	4,378	305,190	270,108
Consumer-						
Credit card	70,420	64,430	3,888	7,253	74,308	71,683
Other consumer loans	48,254	39,275	1,279	1,545	49,533	40,820
Total consumer loans	118,674	103,705	5,167	8,798	123,841	112,503
Residential mortgage	145,472	135,120	5,222	6,662	150,694	141,782
Total loan	$ 565,302	$ 504,555	$ 14,423	$ 19,838	$ 579,725	$ 524,393

Commercial loans are detailed below; the distressed and non-distressed current and overdue portfolios at December 31, 2010, are also identified. This portfolio does not include guarantees and interests collected ahead of time, which are shown as part of the commercial portfolio on the balance sheet:

Portfolio	Distressed		Non-distressed		Total
	Current	Past due	Current	Past due	
Business or commercial activity	$ 253	$ 1,974	$ 200,791	$ 2,164	$ 205,182
Loans to financial entities	103	5	8,438	-	8,546
Loans to government entities	12	-	80,674	-	80,686
	$ 368	$ 1,979	$ 289,903	$ 2,164	$ 294,414

The restructured and renewed portfolio at December 31, 2010, was as follows:

Restructured Portfolio	Current	Past due	Total
Business or commercial activity	$ 13,272	$ 1,946	$ 15,218
Consumer loans	2,227	397	2,624
Residential mortgage loans	32,149	3,135	35,284
	$ 47,648	$ 5,478	$ 53,126

At December 31, 2010, the Institution has guarantees consisting of real property and securities for restructured commercial loans of $23,299 and $18,901, respectively.

As of December 31, 2010, aging of past due portfolio is as follows (in days):

	Period			
Portfolio	**1 to 180**	**181 to 365**	**365 to 2 years**	**Total**
Business or commercial activity	$ 1,631	$ 802	$ 1,601	$ 4,034
Consumer loans	5,026	141	-	5,167
Residential mortgage loans	1,954	404	2,864	5,222
	$ 8,611	$ 1,347	$ 4,465	$ 14,423

At December 31, 2010, unaccrued commissions for initially granting credit, by type and average payment period, are as follows:

	By amortization period			
	1 to 5 years	**15 years**	**More than 15 years**	**Total**
Business or commercial activity	$ 559	$ 171	$ 15	$ 745
Residential mortgage loans	3	56	569	628
	$ 562	$ 227	$ 584	$ 1,373

o

o As of December 31, 2010 and 2009, the balances of overdue credit portfolio fully reserved and eliminated from the balance sheet were as follows:

o

Item	**2010**	**2009**
Credit card	$ 3,217	$ 5,237
Commercial	2,426	1,315
Consumer	718	1,010
Residential mortgage	929	199
Total	$ 7,290	$ 7,761

o

As of December 31, 2010 and 2009, the amounts of portfolio sold were as follows:

Item	**2010**	**2009**
Credit card and consumer	$ 4,716	$ 10,605
Residential mortgage	746	424
Total	$ 5,462	$ 11,029

o

o As of December 31, 2010 and 2009, the amounts of the lines of credit recorded in memorandum accounts were $182,726 and $186,629, respectively.

o

o Interest income and commissions classified by type of loan were as follows:

Type of loan	2010 Interest	2010 Commissions	2010 Total	2009 Total
Commercial loans-				
Denominated in Mexican pesos-				
Commercial	$ 13,237	$ 682	$ 13,919	$ 14,834
Rediscounted portfolio	426	-	426	482
Lease portfolio	112	-	112	129
Denominated in U.S. dollars-				
Commercial	1,651	-	1,651	1,711
Rediscounted portfolio	53	-	53	62
Lease portfolio	7	-	7	9
Total commercial loans	15,486	682	16,168	17,227
Financial entities	477	-	477	740
Government entities	4,568	-	4,568	3,876
Total commercial loans	20,531	682	21,213	21,843
Consumer-				
Credit card	17,216	-	17,216	21,610
Other consumer loans	9,356	169	9,525	9,148
Total consumer loans	26,572	169	26,741	30,758
Residential mortgage	15,230	131	15,361	14,341
	$ 62,333	$ 982	$ 63,315	$ 66,942

As of December 31, 2010 and 2009, the amount of the recoveries of credit portfolio written off or eliminated were $488 and $355, respectively, recognized in the heading "Other operating income (expense)".

At December 31, 2010 and 2009, loans classified by economic sectors were as follows:

	2010 Amount	2010 Concentration Percentage	2009 Amount	2009 Concentration Percentage
Foreign (non-Mexican entities)	$ 859	0.45%	$ 1,466	0.28%
Private (companies and individuals)	215,964	36.95%	209,909	40.03%
Financial	7,686	1.33%	7,266	1.39%
Credit card and consumer	123,841	21.36%	112,503	21.45%
Residential mortgage	150,694	25.99%	141,782	27.04%
Government entities	80,675	13.92%	51,462	9.81%
Other past-due loans	6	0.00%	5	0.00%
	$ 579,725	100.00%	$ 524,393	100.00%

Related-party loans - At December 31, 2010 and 2009, loans granted to related parties amounted to $28,369 and $30,090, respectively. The amount of related-party loans at December 31, 2010 and 2009 includes $7,918 and $7,574, respectively, of letters of credit, which are recorded in memorandum accounts.

Credit support program - The Institution has participated in the following credit support programs established by the Federal Government and the Mexican Bankers' Association, A. C.:

– Debtor Credit Support Mortgage Program and Debtor Credit Benefits Agreement for Mortgage.
– Financial Support Program for the Agriculture and Fishing Sector (FINAPE).

Furthermore, during December 1998, the Federal Government and the banks disseminated a new and definitive debtor support plan called, “Final Aid” which as of 1999 replaces the calculation of the benefits granted in support program for Housing Loan Debtors. For FINAPE such support plan was substituted in 1999 and 2000, and as of 2001 they continued applying the benefits established in the original support programs.

The “Final Aid” Program for mortgage borrowers defines the discounts on the outstanding balance of loans recorded at November 30, 1998, without considering interest in arrears. Regarding FINAPE credit programs, the discounts are applied on the payments and the discount percentage is determined according to the balance of the loan recorded at July 31, 1996.

The amount of discounts is recognized by the Federal Government and the Institution at different percentages, the part recognized by the Federal Government is recorded as an account receivable, which generates interest at the CETES 91-day rate carried to a 28-day curve, capitalized monthly, the percentage absorbed by the Institution is applied to the allowance for loan losses. At December 31, 2010, the balance of the discounts payable by the Federal Government is $983, which will be settled together with its respective capitalization of interest at the beginning of June 2011.

Due to the results from the audits of the support programs, during 2009 the Federal Government confirmed compliance by the Institution with the regulations applicable for the recovery of the conditioned support relative to various programs. For this reason, in June 2010 the Institution received from the Federal Government payments related to the benefits due from the latter, the “Housing”, “FOVI”, and “FINAPE” in the amount of $1,120.

Early termination of debtor support programs:

On July 15, 2010, an agreement was signed between the Federal Government, through the Treasury Department (SHPC), and certain Banks, with the participation of the Mexican Bankers’ Association, to early terminate the debtor support programs (the Agreement).

The support programs in which the Institution participated, and which are the subject matter of this Agreement, are:

– Housing Loan Debtor Support Program

– Housing Loan Debtor Benefits Agreement

Regarding the discount to be absorbed by the Federal Government to be included for the credits originated due to application of the benefit:

a) The amount of the payment obligations of the Federal Government is composed as follows:

Portion of Conditioned Discount Payable by Federal Government:	
Discount on credits denominated in Mexican pesos and in UDIS recognized on the Institution’s balance sheet:	
Current Portfolio: Portion of conditioned discount payable by Federal Government	$ 4,130
Overdue Portfolio: Portion of conditioned discount payable by Federal Government	58
Total	$ 4,188
Credits denominated in UDIS to which discounts were applied on the unpaid balance before entering the Discount Program	$ 571

b) General conditions of payment obligations of Federal Government:

The payment obligations of the Federal Government will be settled through annual payments for a five-year period as illustrated below:

Annual payment	Payment date
First	December 1, 2011
Second	June 1, 2012
Third	June 3, 2013
Fourth	June 2, 2014
Fifth	June 1, 2015

The interest earned will be at the rate resulting from the arithmetical average of the annual rates of return on the discount basis of 91-day CETES (Mexican Treasury Bills), carried to a 28-day yield curve.

Housing loans:

The effects of this transaction will be recognized by the Institution during the first quarter of 2011, considering the portfolio balances as of December 31, 2010. This effect is shown as follows:

Opening balance of the sublevel "Unrestricted housing loans"	$	14,150
Credits not eligible for the benefit		(470)
Credits eligible for the benefit (performing loans)	$	13,680
Credit payable by Federal Government		(4,188)
Application against "Allowance for loan losses" already provided by the Institution		(3,048)
Closing balance of sublevel "Unrestricted housing loans"	$	6,444

Movements in the heading "Allowance for loan losses":

Opening balance of the sublevel "Unrestricted housing loans"	$	3,143
Amount of reductions, discounts and/or rebates granted on current or overdue loans		(3,048)
Closing balance of sublevel "Unrestricted housing loans"	$	95

The maximum amount that the Institution must absorb for the debtors of the loans not included in the Early Termination Scheme under the terms of the Agreement is $203.

The effects to be recognized by the Institution for the first quarter of 2011 will be subject to the Commission's review, and could be subsequently adjusted.

Credit granting policies and procedures - The Institution's credit manual regulates the granting, control and recovery of loans. This manual was authorized by the Board of Directors and outlines the parameters to be followed by officers involved in the credit process, which are based on the Credit Institutions Law, the conservative credit rules established by the Commission and sound banking practices.

Credit authorization under the Board of Directors' responsibility is centralized in empowered committees and officers.

In the credit management function the general process from promotion to recovery is defined, specifying, by business unit, the policies, procedures and responsibilities of the officers involved, as well as the tools to be used in each step of the process.

The credit process is based on a thorough analysis of credit applications, in order to determine the comprehensive risk of each debtor. For most loans, debtors must at least have an alternate repayment source.

The principal policies and procedures to determine concentrations of credit risk and which form part of the credit manuals are:

Common risk

- Establish the criteria for determining the individuals or corporations that represent common risk for the Institution.
- Establish the criteria for determining whether individuals and/or corporations act in unison and are integrated into the same business group or consortium, in order to identify potential accumulated risk and the maximum limit of financing to be granted.

Maximum financing limit

- Make known the maximum legal credit rules issued by the authorities.
- Communicate the updated maximum credit limit for the Institution, as well as the handling of exceptions.

Risk diversification

At December 31, 2010, the Institution disclosed that it maintains the following credit risk operations in compliance with the general risk diversification rules established in the Regulations and applicable to asset and liability transactions, as follows:

- At December 31, 2010, the Institution has no loans with debtors or groups of entities or individuals representing a joint risk in which the individual amount exceeds 10% of its basic capital.

- The amount of loans granted to the Institution's three major debtors or groups of individuals or entities constituting a joint risk is $23,257, thus representing 21% of its basic capital.

Potential risk

- Credit applications must be sanctioned in terms of the amount of the risk.
- Avoid risk exposure above the legal limit and other institutional limits established.

Consumer loans, mortgage loans and loans to small and micro-sized companies are subject to automated evaluation and follow-up mechanisms that have been implemented, based on certain standard factors which, under the Institution's criteria, are used to make decisions, and allow greater efficiency in the handling of high volume of loan applications.

12. UDI-denominated restructured loans

At the November 2009 close, trusts denominated in UDIS were liquidated and their balances included in the Institution's accounting records for the amount of $15,635.

13. Allowance for loan losses

The following table presents the results of basic loan ratings made for the purpose of recording the loan loss allowance based on the requirements discussed in Note 4:

Risk category	2010 Total loans	2010 Allowance	2009 Total loans	2009 Allowance
A	$ 429,571	2,526	$ 380,177	2,485
B	128,703	6,308	115,183	5,413
C	12,925	4,458	15,983	5,857
D	8,079	6,007	10,970	8,224
E	1,488	1,500	2,117	2,109
Subtotal	580,766	20,799	524,430	24,088
Loans exempt from classification	16,513	-	16,814	-
Additional	-	4,329	-	2,903
Allowance as of December 31	$ 597,279	$ 25,128	$ 541,244	$ 26,991

The total loan portfolio balance used for classification purposes includes amounts related to the irrevocable lines of credit granted, letters of credit and guarantees given, which are recorded in memorandum accounts.

The allowance for loan losses at December 31, 2010, is determined based on the portfolio balance at those dates and includes 100% of past-due interest.

The amount for the allowance for loan losses includes the classification of the credits granted in foreign currency, valued at the exchange rate of December 31, 2010.

Based on agreements between the Commission and credit institutions, the distressed commercial portfolio has been defined as that which has a D and E risk classification. Based on such definition, the distressed commercial portfolio is $1,025 and $834 as of December 31, 2010 and 2009, respectively.

As discussed in Note 4, the Institution received authorization from the Commission to apply an internal credit card rating model. Accordingly, it recognized an allowance for loan losses with a charge to the results of prior years for the amount of $1,323. Furthermore, during December 2010, the Institution requested authorization from the Commission to use new classification parameters for revolving consumer credit portfolio, in order to apply them in the calculation of expected loss and of the capital requirement due to its exposure to credit risk.

At December 31, 2010 and 2009, the allowance for loan losses represents 174.22% and 136.06%, respectively, of the non-performing loan portfolio.

Changes in the allowance for loan losses - Below is an analysis of the allowance for loan losses:

	2010	2009
Balance at beginning of year	$ 26,991	$ 25,560
Provision charged to income statement	19,626	27,255
Allowances charged to the result of prior years	-	1,323
Application of reserve for FOVI-type mortgage portfolio	-	(176)
Applications and write-offs for the period	(21,606)	(27,105)
Sale of portfolio	-	(379)
Exchange effect	117	513
Balance at end of year	$ 25,128	$ 26,991

14. Securitization operations

Mortgage portfolio securitizations -

The Institution has issued securitization certificates (CB), which have generally been formalized through the following contracts:

– ***Assignment contract-***

This contract is entered into by and between BBVA Bancomer, S.A. ("Transferor"), Banco Invex, S.A. ("Transferee") and Monex Casa de Bolsa, S.A. de C.V. ("Common Representative") for the purpose of assigning, on the part of the Transferor, current portfolio, to the Irrevocable Fiduciary Certificate Issuance Trust ("the Stock Market Certificates"), free of all encumbrance and without reservation or limitation of title, together with all related benefits, proceeds and accessories applicable. The Transferor is liable only for the declarations included in such contract, for which reason non-compliance with any of the declarations will only mean that the "Transferor" replacing one or more of the ineligible credits or reimbursing in cash the proportional part of the consideration; consequently, the Transferor does not assume any obligation regarding the mortgage loans. Furthermore, the consideration was fixed as the right to receive the total amount obtained in the placement of the SMCs, less the respective issuance costs.

Irrevocable Fiduciary Stock Market Certificate Issuance Trust Contract

This contract is entered into by and between BBVA Bancomer, S.A. ("Trustor" and "First Beneficiary"), Banco Invex, S.A. ("Trustee"), and Monex Casa de Bolsa, S.A. de C.V. ("Common Representative"), which stipulates that the objective of the Trust is the acquisition of mortgage loans, free of all encumbrance and without any reservation or limitation of title, in terms of the Assignment Contract, the issuance of SMCs, which will have such mortgage loans as a source of payment and the placement of the SMCs among small investors; while the Trustee will have all those powers and obligations considered necessary to achieve such purpose.

The same contract established the initial appraisal that the certificate would have in relation to the total amount of the portfolio assigned, which amount is recorded for accounting purposes under "Benefits receivable from securitized transactions".

– ***Portfolio Management and Collection Contract***

This contract is entered into by and between BBVA Bancomer, S.A. ("Administrator"), Banco Invex, S.A. ("Trustee") and Monex Casa de Bolsa, S.A. de C.V. ("Common Representative"). Under this contract, the Trustee contracted the Administrator to carry out the management and collection solely and exclusively in relation to the mortgage loan and any "repossessed assets" that were transferred in the assignment contract. Accordingly, to enable the Administrator to fulfill its obligations, the Trustee will pay a management commission to the Administrator equivalent to the amount resulting from multiplying the unpaid balance of the principal of the mortgage loans by the percentage stipulated and divided by 12.

The specific characteristics of each issue are detailed below:

Concept	Trusts 711	752	781	847	881
Execution date of trust contract	19-Dic-07	13-Mar-08	05-Ago-08	08-Dic-08	03-Ago-09
Number of credits assigned	2,943	1,587	9,071	18,766	15,101
Amount of portfolio	$ 2,644	$ 1,155	$ 5,696	$ 5,823	$ 6,545
SMCs issued	25,404,498	11,143,185	11,955,854	55,090,141	59,101,116
Face value per SMC	$ 100.00	$ 100.00	100UDIS	$ 100.00	$ 100.00
Amount of issue of SMC	$ 2,540	$ 1,114	$ 4,830	$ 5,509	$ 5,910
Series A1	-	-	$ 2,415	-	$ 562
Series A2	-	-	$ 2,415	-	$ 1,732
Series A3	-	-	-	-	$ 3,616
Gross annual interest rate	9.05%	8.85%	-	9.91%	-
Series A1	-	-	4.61%	-	6.14%
Series A2	-	-	5.53%	-	8.04%
Series A3	-	-	-	-	10.48%
Effective duration of the SMC (years)	20.5	20.42	24.84	22	20.08
Value of certification	$ 103	$ 40	$ 866	$ 314	$ 635
Initial appraisal %	3.90%	3.50%	15.20%	5.40%	9.70%
Total cash flow received for the assignment	$ 2,507	$ 1,091	$ 4,751	$ 5,475	$ 5,733

The third issue, which refers to Trust 781, was made in UDIs, and the exchange rate of the UDI used at the issue date is $4.039765.

Private certificate securitization -

The Institution issued fiduciary certificates during 2009, which were generally formalized through the following contracts:

– ***Assignment Contract -***

This contract was executed between BBVA Bancomer, S.A. (Assignor), Bank of America Mexico, S.A. (Assignee) and Monex Casa de Bolsa, S.A. de C. V. (Joint Representative) to enable the Assignor to assign the Rights to the Irrevocable Issuance Trust (Fiduciary Certificates), free from all liens and encumbrances and any reserves or limitations of ownership, together with the respective benefits, proceeds and accessories. As the Assignor is only liable for the terms included in this contract, any noncompliance thereof will only mean that the Assignor must reimburse the applicable proportion of the payment amount in cash. The Assignor does not assume any liability whatsoever for the Rights. Likewise, the total amount obtained from the placement of the Fiduciary Certificates, less the respective issuance costs in the amount of $4 to create an expense reserve and $786 to create an interest reserve, was agreed as payment.

– ***Irrevocable Issuance Trust Contract***

This contract was executed between BBVA Bancomer S.A. (Trustor and final Beneficiary), Bank of America Mexico, S.A. (Trustee) and Monex Casa de Bolsa, S.A. de C. V. (Joint Representative). It establishes that the Trust was created to acquire the Rights, free from all liens and encumbrances and any reserves or limitations of ownership under the terms of the Assignment Contract executed for the Securities Issuance, whereby these Rights constitute the source of payment following the placement of the securities among investors. Accordingly, the Trustee will have all the powers and obligations needed to attain this objective.

The specific characteristics of the securitization certificates are as follows:

Description		Trust 419
Trust contract execution date		30-Dec-09
Number of certificates assigned		5
Proportion of certificates assigned		
Certificate F-711		73.20%
Certificate F-752		74.23%
Certificate F-781		88.28%
Certificate F-847		64.27%
Certificate F-881		87.47%
Amount of certificates assigned	$	1,612
Share certificates		2
Par value by security		
Securities in Mexican pesos	$	791
Securities in UDIS	$	821
Annual gross interest rate		
Securities in Mexican pesos		11.67%
Securities in UDIS		7.92%
Duration of securities (years)		23.84
Total flow received through assignment	$	812

Regarding the private placement of the Fiduciary Certificates, under the contract, the latter were assigned for the amount of $1,612. The Institution received a cash payment of $812 and recognized $786 of this amount in the sundry debtors account, $9 in the account receivable benefits from securitization transactions, and $5 under the heading of other accounts receivable, which is therefore related to the annual expense provision.

On December 17, 2010, a contract of termination and payment of Trust number 419 was signed with Bank of América Mexico, S.A. (fiduciary institution) and Monex Casa de Bolsa, S.A. de C.V. Monex Grupo Financiero (common representative), regarding the assignment of rights of the records acquired by the Institution through Trusts 711, 752, 781, 847 and 881. In accordance with their own best interests, the interested parties wish to terminate the Trust Contract and Assignment Contract and other related documents, and make reciprocal concessions in order to avoid any future controversy.

Consequently, the portion of the records originally assigned will return to the Institution's balance sheet under the heading of "Receivable benefits from securitization transactions"

15. Receivables, sundry debtors and prepayments, net

The balance of other accounts receivable at December 31, 2010 and 2009 consists of the following:

Item		2010		2009
Debtors from transaction settlement	$	14,218	$	9,609
Loans to officers and employees		7,337		6,926
Sundry debtors		3,211		2,544
Other		1,219		1,088
		25,985		20,167
Less – Allowance for uncollectible accounts		(403)		(460)
	$	25,582	$	19,707

The debtors for settlement of transactions as of December 31, 2010 and 2009 are composed as follows:

	2010	2009
Foreign currencies	$ 10,713	$ 5,611
Investments in securities	3,333	3,876
Derivatives	172	122
	$ 14,218	$ 9,609

16. Repossessed assets, net

Repossessed assets at December 31, 2010 and 2009 were as follows:

Item	2010	2009
Buildings	$ 2,765	$ 2,369
Land	687	332
Securities	14	14
Other	3	4
	3,469	2,719
Less - Allowance for impairment of repossessed assets	(527)	(520)
	$ 2,942	$ 2,199

17. Property, furniture and equipment, net

Property, furniture and equipment at December 31, 2010 and 2009 were as follows:

Item	2010	2009
Furniture and equipment	$ 9,481	$ 10,106
Office space	10,109	9,979
Installation costs	5,055	4,478
	24,645	24,563
Less- Accumulated depreciation and amortization	(9,874)	(9,028)
	14,771	15,535
Land	1,935	1,935
Construction in progress	954	275
	$ 17,660	$ 17,745

As part of the strategic real estate plan, the Institution is currently building the corporate headquarters of the Financial Group at an estimated cost of US $903 million, with an estimated termination date of 2013.

18. Equity investments

Investments in affiliates that were valued using the equity method were as follows:

Item	Ownership Percentage	2010	2009
Siefores (Real y Protege)	Various	$ 1,695	$ 1,444
I + D México, S. A. de C. V.	50.00%	427	346
Servicio Panamericano de Protección, S. A. de C. V.	12.31%	-	166
Servicios Electrónicos Globales, S. A. de C. V.	46.14%	83	79
Compañía Mexicana de Procesamiento, S. A. de C. V.	50.00%	78	69
Others	Various	171	159
Total		$ 2,454	$ 2,263

The investment in shares of associated companies as of December 31, 2010 and 2009 was determined in some cases based on unaudited financial information, which is adjusted, if any differences arise, once the audited information becomes available.

On November 17, 2010, the Institution entered into a contract of purchase and sale, in which it sold the total amount of its shareholding in Servicios Panamericano de Protección, S.A. de C.V., and recognized a loss of $61 under the heading of “Other expenses”.

19. Deferred taxes

The Institution has recognized a net deferred income tax asset resulting from temporary differences between the book and tax bases of assets and liabilities and tax loss carryforwards at December 31, 2010 and 2009, of $8,665 and $6,773, respectively, as follows:

Item	2010		2009	
	Temporary Difference	Deferred Income Taxes	Temporary Difference	Deferred Income Taxes
Temporary differences - assets:				
Allowance for loan losses	$ 23,483	$ 7,045	$ 21,152	$ 6,346
Pension allowance	1,203	361	2,546	764
Repossessed assets	807	242	1,121	336
Other assets	10,478	3,144	7,002	2,123
Advance premium on swap	1,297	389	1,297	389
Allowance for debtors and creditors	151	45	88	26
Fair value adjustment of investments	170	51	-	-
Total assets	37,589	11,277	33,206	9,984
Temporary differences - liabilities:				
Fixed assets	-	-	290	87
Advance premium on swap	984	295	2,309	693
Fair value valuation of investments	7,513	2,254	7,835	2,350
Other liabilities	210	63	274	81
Total liabilities	8,707	2,612	10,708	3,211
Net deferred asset	$ 28,882	$ 8,665	$ 22,498	$ 6,773

Based on management’s projections, the deferred tax balance derived from the allowance for loan losses will be recovered in the medium-term.

20. Other assets

Other assets at December 31, 2010 and 2009, were as follows:

Item	2010	2009
Deferred charges, prepaid expenses and intangibles	$ 1,601	$ 3,063
Goodwill	1,765	1,765
Total other assets	$ 3,366	$ 4,828

21. Deposits

Liquidity coefficient - The provisions of the Treatment for Admission of Liabilities and Investment for Foreign Currency Transactions, issued by Banco de México for credit institutions establishes the mechanism for determining the liquidity coefficient of liabilities denominated in foreign currency.

Based on the above procedure, in 2010 and 2009 the Institution was subject to liquidity requirements of U.S.$102 million and U.S.$868 million, respectively, and maintained investments in liquid assets of U.S.$758 million and U.S.$1,390 million, reflecting liquidity excesses of U.S.$656 million and U.S.$522 million, respectively.

Traditional deposits - The liabilities derived from traditional deposits are composed as follows:

	2010	2009
Demand deposits:		
Demand deposits	$ 402,528	$ 355,037
Saving deposits	73	73
Time deposits:		
Notes with interest payable at maturity	131,264	168,694
Time deposits	38,851	19,686
Bank bonds	44,619	45,024
Total	$ 617,335	$ 588,514

22. Interbank loans and loans from other entities

At December 31, 2010 and 2009, interbank loans and loans from other entities were as follows:

	Mexican pesos		U.S. dollars in Mexican pesos		Total	
	2010	2009	2010	2009	2010	2009
Bank loans	$ 47,136	$ 1,642	$ 4,636	$ 3,570	$ 51,772	$ 5,212
Loans from other entities	7,496	7,572	1,157	1,226	8,653	8,798
Total	$ 54,632	$ 9,214	$ 5,793	$ 4,796	$ 60,425	$ 14,010

Interbank loans and loans from other entities in foreign currency were contracted by the Institution with terms ranging from three days to 10 years and annual rates ranging between 3.00% and 6.00%. Such loans are contracted with nine foreign financial institutions.

The Institution has available liquidity with Banco de México for up to the amount of the monetary regulatory deposit, which has a balance of $64,911 in 2010 and 2009. The amount of this credit line used in 2010 and 2009 is $202 and $3,333, respectively; the available amount at this date is $64,709 and $61,578, respectively

23. Labor liabilities

The Institution has liabilities from labor obligations related to severance payments, which will cover the pension, seniority premiums due upon retirement and postretirement indemnity of the Institution’s employees. The Institution also has a plan for integral medical services to pensionees and their economic dependents, as well as the payment of life insurance. The amount of such labor liabilities is determined based on calculations performed by independent actuaries using the projected unit credit method and in conformity with the methodology established in NIF D-3. The management of plan assets is made through an irrevocable trust.

As of January 1, 2007, following the execution of the employer substitution contract, all the Institution’s employees (except the General Director) were transferred to the payroll of BBVA Bancomer Operadora, S. A. de C. V., a company belonging to the Financial Group. Employees retained all vested benefits and only personnel without vested benefits were transferred to a variable compensation scheme. Given the above, the Institution only has a labor obligation related to the retirees and only one active employee.

The Institution made the necessary adjustments in the profit and loss account as a result of the actuarial variations that are included in the amount recorded for the liabilities and assets using the assumptions as of the close of each year. For this reason it recorded a charge to results, in 2010 and 2009, for $244 and $672, respectively. Both effects were recognized in the headings of "Other expenses".

Pension plan and seniority premiums -

As of December 31, 2010 and 2009, obligations for defined benefits were composed as follows:

Item	2010	2009
Opening balance	$ 3,588	$ 3,426
Service cost	5	4
Financial cost	310	330
Actuarial losses and gains generated in the period	235	262
Benefits paid	(440)	(435)
Sales or breakups of businesses	-	1
Obligations for defined benefits	$ 3,698	$ 3,588
Amount of obligations for benefit acquired	$ 3,596	$ 3,502

At December 31, 2010 and 2009, plan assets were as follows:

Item	2010	2009
Opening balance	$ 3,098	$ 3,143
Expected returns on plan assets	292	276
Actuarial losses and gains generated in the period	476	56
Contributions made by the entity	580	58
Benefits paid	(440)	(435)
Transfer between plans	(328)	-
Plan assets	$ 3,678	$ 3,098

At December 31, 2010 and 2009, the liability of the Institution was as follows:

Item	2010	2009
Defined benefit obligation	$ 3,698	$ 3,588
Plan assets	(3,678)	(3,098)
Current net liability derived from employee pensions	$ 20	$ 490

For the years ended December 31, 2010 and 2009, the net (benefit) cost of the period was as follows:

Item	2010	2009
Labor cost of services for the year	$ 5	$ 4
Financial cost	310	330
Yield on plan assets	(292)	(276)
Immediate recognition of actuarial (income) losses for the year	(241)	207
Net (benefit) cost of the period	$ (218)	$ 265

The nominal interest rates utilized in the actuarial calculations were:

Item	2010	2009
Actual return on plan assets	8.25%	9.00%
Interest rate	8.75%	9.25%
Salary increase rate	4.75%	4.75%
Rate of increase in medical services	6.75%	6.75%

Integral medical services -

As of December 31, 2010 and 2009, the obligations for defined benefits were composed as follows:

Item	2010	2009
Opening balance	$ 3,670	$ 3,054
Financial cost	329	299
Actuarial losses and gains generated in the period	752	628
Benefits paid	(301)	(311)
Obligations for defined benefits	$ 4,450	$ 3,670
Amount of the benefit obligation acquired	$ 4,449	$ 3,670

As of December 31, 2010 and 2009, plan assets were composed as follows:

Item	2010	2009
Opening balance	$ 1,514	$ 1,436
Expected returns on plan assets	235	123
Actuarial losses and gains generated in the period.	229	89
Contributions made by the entity	989	177
Transfer between plans	578	-
Benefits paid	(301)	(311)
Plan assets	$ 3,244	$ 1,514

As of December 31, 2010 and 2009, obligations for defined benefits are composed as follows:

	2010	2009
Defined benefit obligation	$ 4,450	$ 3,670
Plan assets	(3,244)	(1,514)
Unfunded liability	$ 1,206	$ 2,156

As of December 31, 2010 and 2009, net cost of the period was composed as follows:

	2010	2009
Financial cost	$ 329	$ 299
Return on the fund assets	(235)	(123)
Immediate recognition of actuarial losses for the year	523	539
Net cost of the period	$ 617	$ 715

Below we present the effect of the 1% rate increase or decrease in the variation trend assumed for medical costs.

Item	2009	
	+1%	-1%
Increase (decrease) in the net cost of the period	43	(36)
Increase (decrease) in the defined benefit obligations	487	(413)

Life insurance -

As of December 31, 2010 and 2009, the obligations for defined benefits were composed as follows:

Item	2010	2009
Opening balance	$ 654	$ 629
Financial cost	59	62
Actuarial losses and gains generated in the period	18	(32)
Benefits paid	(5)	(5)
Obligations for defined benefits	$ 726	$ 654
Amount of the benefit obligation acquired	$ 724	$ 654

As of December 31, 2010 and 2009, plan assets are composed as follows:

Item	2010	2009
Opening balance	$ 753	$ 657
Expected returns on plan assets	66	60
Actuarial losses and gains generated in the period	56	39
Entity contributions	127	2
Transfer between plans	(250)	-
Benefits paid	(5)	(5)
Plan assets	$ 747	$ 753

As of December 31, 2010 and 2009, the obligations for defined benefits are composed as follows:

	2010	2009
Defined benefit obligations	$ 726	$ 654
Plan assets	(747)	(753)
Advance payment	$ (21)	$ (99)

As of December 31, 2010 and 2009, net benefit of the period was composed as follows:

	2010	2009
Financial cost	$ 59	$ 62
Return on the fund assets	(66)	(60)
Immediate recognition of actuarial gains for the year	(38)	(72)
Net benefit of the period	$ (45)	$ (70)

Severance indemnities -

As of December 31, 2010 and 2009, the obligations for defined benefits were composed as follows:

Item	2010	2009
Opening balance	$ -	$ -
Financial cost	1	-
Past services	12	-
Benefits paid	(2)	-
Obligations for defined benefits	$ 11	$ -
Amount of the benefit obligation acquired	$ 11	$ -

As of December 31, 2010 and 2009, the projected net liability is composed as follows:

Item	2010	2009
Unfunded liability	$ 11	$ -
Projected net liability for the plan entitled Sports for retirees	$ 11	$ -

As of December 31, 2010 and 2009, net cost of the period is composed as follows:

	2010	2009
Financial cost	$ 1	$ -
Recognition of past services	12	-
Net cost of the period	$ 13	$ -

Severance payments

As of December 31, 2010 and 2009, the obligations for defined benefits are composed as follows:

Item	2010	2009
Opening balance	$ 4	$ 13
Labor cost of the service	1	1
Financial cost	-	1
Actuarial losses and gains generated in the period	2	1
Sales or breakups of businesses	(1)	(12)
Obligations for defined benefits	$ 6	$ 4
Amount of obligations for benefits acquired	$ 1	$ 4

As of December 31, 2010 and 2009, the projected net liability was composed as follows:

Item	2010	2009
Unfunded liabilities	$ 6	$ 4
Unamortized items:		
Transition liability	(1)	(1)
Net projected liability for employee pensions	$ 5	$ 3

The amortization period of the unamortized items is five years.

At December 31, 2010 and 2009, the net cost of the period was as follows:

Item	2010	2009
Service cost	$ 1	$ 1
Financial cost	-	1
Amortization of transition liability	-	2
Immediate recognition of actuarial (income) losses for the year	2	-
Effects of reductions and extinguishment	-	(1)
Net cost of the period	$ 3	$ 3

As of the year 2010, the plan entitled sports for retirees is established, due to the right of employees to continue receiving the sports service once they retire. Under this scheme the Institution pays part of the dues and the employee the other part.

As of December 31, 2010, the plans for severance and sports for retirees did not have assets to fund the obligations for defined benefits.

As of December 31, 2010, the assets from the different plans were invested in government securities. Also, the expected return on plan assets as of December 31, 2010 was estimated at a profit of $593, but the actual return at the same date was a profit of $723.

24. Subordinated debt

Item	2010	2009
Subordinated debentures-		
Bancomer 06 debentures at the TIIE rate (Balanced Interbank Interest Rate) + 0.30%, interest payable every 28 days with maturity on September 18, 2014	$ 2,500	$ 2,500
Subordinated debentures Bancomer 08-1 at TIIE + 0.60%, interest payable every 28 days with maturity on July 16, 2018	1,200	1,200
Subordinated debentures Bancomer 08-2 at TIIE + 0.65%, interest payable every 28 days with maturity on September 24, 2018	3,000	3,000
Bancomer 09 debentures at the TIIE rate + 1.30, interest payable every 28 days with maturity on June 7, 2019	2,729	2,729
Subordinated debentures Bancomer 08-3 at TIIE + 1.00%, interest payable every 28 days with maturity on November 26, 2020	2,859	2,859
Subordinated debentures-		
Capitalization notes for US$500 million, issued in July 2005, at an annual interest rate of 5.3795% up to July 22, 2010, payable semiannually, and at LIBOR + 1.95% as of July 23, 2010, payable quarterly, maturing on July 22, 2015	-	6,533
Non-preferred capitalization notes for US $500 million, issued in May 2007 at an interest rate of 6.0080% issued May 17, 2017, payable semiannually and LIBOR + 1.81% as of May 18, 2007, payable quarterly, and maturing on May 17, 2022	6,175	6,533
Preferential subordinated notes for €600 million, issued in May 2007, at an interest rate of 4.7990% up to May 17, 2012, payable annually and EURIBOR + 1.45% as of May 18, 2012, payable quarterly, and maturing on May 17, 2017	9,938	11,247
Non-preferred capitalization notes for USD 1,000 million, issued in April 2010, at an interest rate of 7.25% payable semiannually, beginning as of October 22, 2010, and maturing on April 22, 2020	12,350	-
Unpaid accrued interests	536	574
Total	$ 41,287	$ 37,175

The debt issuance costs related to these issues are amortized using the straight-line method over the term of the debt.

On July 22, 2010, the Institution exercised the option for early redemption of the non-preferred capitalization notes, which were issued in July 2005 with a 10-year maturity, for the amount of US $500 million.

25. Related parties

Balances and transactions with related parties, as established in Bulletin C-3 Related Parties, issued by the Commission, are as follows:

Banco Bilbao Vizcaya Argentaria, S. A.

	2010	2009
Derivative financial instruments	$ 2,531	$ 3,195

At December 31, 2010, the Institution has net derivative transactions based on forwards, swap and options contracts with an underlying composed by interest rates, price indexes, securities and foreign currency.

Hipotecaria Nacional, S. A. de C. V.

	2010	2009
Repurchase agreement debtor	$ 1,266	$ 2,564
Portfolio purchase (nominal value)	$ 31	$ 495
Other expenses	$ (14)	$ 68

At December 31, 2010, the Institution has repurchase transactions with seven-day maturities and an average return rate of 4.43%

BBVA Bancomer Operadora, S. A. de C. V.

	2010	2009
Fees paid for administrative services	$ 12,075	$ 11,595
Account payable	$ 3,490	$ 1,705

BBVA Bancomer Servicios Administrativos, S. A. de C. V.

	2010	2009
Fees paid for administrative services	$ 1,749	$ 1,008

26. Income taxes

In 2009 the Institution was subject to ISR and IETU.

ISR **-** The ISR rate is 30% for 2010 through 2012 and was 28% in 2009; it will be 29% for 2013 and 28% for 2014.

IETU **-** Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. The Business Flat Tax Law (LIETU) establishes that the tax will be incurred at the rate of 17.5% for 2010 and 17% for 2009. Also, with the enactment of this Law the Asset Tax Law was eliminated, but taxpayers may request the refund or crediting of asset tax paid in the last 10 years, with a limit of up to 10% a year of the balance at the close of the year 2007, subject to certain rules.

Income tax incurred will be the higher of ISR and IETU.

Based on its financial projections and according to INIF 8, *Effects of the Business Flat Tax*, the Institution determined that it will basically pay ISR. Therefore, it only recognizes deferred ISR.

Taxable income - The principal items that contributed to the determination of the Institution's tax result were deduction of allowances for loan losses without exceeding 2.5% of the annual average of the loan portfolio and the valuation of financial instruments.

The reconciliation of the statutory ISR rate and the effective rate, expressed as a percentage of income before income taxes, which is the tax incurred by the Institution, is as follows:

	2010	2009
Statutory rate	30%	28%
Add (deduct) -		
Effect of allowance for loan losses	-	(7.73%)
Effect of nondeductible items	0.93%	3.16%
Annual adjustment for inflation	3.24%	-
Other effects	(3.15%)	(0.46%)
Effective rate	24.54%	22.97%

Recoverable IMPAC - As of December 31, 2010, the Institution has recoverable IMPAC of $1,483.

Employee statutory profit-sharing - The Institution determines the employee profit sharing based on the guidelines established in Mexico's Constitution.

27. Stockholders' equity

Capital stock - The capital stock of the Institution at December 31, 2010 and 2009, was as follows:

	Number of shares at Par Value of $0.28 per share					
	2010			2009		
	Authorized	Unsubscribed	Paid-in	Authorized	Unsubscribed	Paid-in
Series "F"	9,107,142,859	(1,378,926,692)	7,728,216,167	9,107,142,859	(1,378,926,692)	7,728,216,167
Series "B"	8,749,999,999	(1,324,851,134)	7,425,148,865	8,749,999,999	(1,324,851,134)	7,425,148,865
Total	17,857,142,858	(2,703,777,826)	15,153,365,032	17,857,142,858	(2,703,777,826)	15,153,365,032

	Capital Stock					
	2010			2009		
	Authorized	Unsubscribed	Paid-in	Authorized	Unsubscribed	Paid-in
Series "F"	$ 2,550	$ (386)	$ 2,164	$ 2,550	$ (386)	$ 2,164
Series "B"	2,450	(371)	2,079	2,450	(371)	2,079
Subtotal	$ 5,000	$ (757)	4,243	$ 5,000	$ (757)	4,243
Capitalization of restatement			10,971			10,971
Restatement to Mexican pesos of December 2007			8,924			8,924
Total			$ 24,138			$ 24,138

As discussed in Note 2, as a result of the merger with Bancomer Servicios, the share exchange factor was applied and 2.440468981127 shares in Bancomer Servicios delivered for each share in the Institution. Accordingly, paid-in capital was increased by $415, as represented by 756,026,301 ordinary Series "F" shares and by 726,378,211 ordinary Series "B" shares with a par value of $0.28 each.

At a Stockholders' Ordinary General Meeting on June 28,2010, the Institution declared a cash dividend of $12,567, taken from the account named "Results of prior years" which was distributed on the basis of $0.8293207465 pesos per share, which were paid to the shareholders on July 30, 2010.

At a Stockholders' Ordinary General Meeting of Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (AFORE Bancomer) on May 18, 2010, a cash dividend of $732 was declared, taken from the account named "Results of prior years", of which 75% corresponds to the Institution due to its participation in AFORE Bancomer. Such dividend was distributed and paid to the shareholders on May 17, 2010.

Restrictions on income - Stockholders' equity, except for restated amounts of paid-in capital and tax retained earnings, will incur ISR on dividends payable by the Institution at the current rate, at the time of distribution. The tax paid on such distribution can be credited against ISR of the year and the respective provisional payments during the year in which tax is paid on dividends and the next two years.

The annual net income of BBVA Bancomer is subject to the legal requirement that 10% thereof be transferred to a legal reserve each year until the reserve equals paid-in capital. This reserve may not be distributed to stockholders during the existence of the Institution, except in the form of a stock dividend.

Capitalization index - Current regulations establish requirements for specific net capital levels, as a percentage of risk assets, for both market and credit purposes. However, in order to determine net capital, deferred taxes represent a maximum of 10% of basic capital.

Based on the standard method, the transactions are classified in eight different groups depending on the counterparty, and must be weighted based on the degree of risk applicable to the respective credit classification assigned by one of the Ratings Agencies.

Furthermore, under this method a higher weighting factor is assigned to the overdue portfolio (125%) and the mortgage credits will now have a factor of between 50% and 100%, depending on the level of down payment and the related guarantees provided.

Through a notice dated August 31, 2009, BBVA Bancomer notified the application of the advanced internal credit card classification method to determine the credit risk capital requirement, as determined by applying a capital requirement weighting factor to the exposure to default, which is based on the Default Probability associated with each of its debtor classification levels expressed as a percentage; the Severity of the Loss in the event of default, expressed as a percentage of the exposure to default and the Effective Duration or Maturity, expressed in years.

Capitalization for operating risk

To calculate the capital requirement for exposure to operating risk, the Institution must use:

- Basic indicator method, which must cover minimum capital equivalent to 15% of the average of the last 36 months of the financial or intermediation margin.
- Standard, alternative standard or other methods determined by the Commission.

The basic-method capital requirement should be built up within three years, and must be within the ranges of between five and 15% of the average sum of credit and market risk requirements over the last 36 months.

On April 9, 2010, the Mexican Treasury Department (SHCP) published modifications to the "Rules for capitalization requirements of full-service banks, national credit institutions, development banks". The main changes are as follows:

Capitalization due to market risk

The Bank may make the calculation of Caps and Floors options, defined as a series of purchase or sale options based on the same underlying interest rate, with the same notional amount, with consecutive maturities and equivalent terms between one and the next, in the same purchase or sale direction, and with the same counterparty, as a cash flow exchange transaction ("swap"), in which a variable interest rate is received and a fixed interest rate is delivered, or vice versa, according to the Caps or Floors options packages in question, in accordance with section VI of this article, as well as subsections a) and b) of section I of article 2 Bis 102 of these provisions, by considering the respective maturity of the options based on the maturity date of each swap flow.

The capitalization index of the credit institution as of December 31, 2010 was 15.10% of the total risk (market, credit and operational) and 25.47% of credit risk, which are 7.10 and 17.47 points above the required minimums.

The net capital, divided into basic capital and complementary capital, is detailed as follows (the amounts shown in this note may differ in presentation from the basic financial statements):

– *Basic capital:*

Item	Amount
Stockholders’ equity	$ 108,582
Capital notes	14,816
Related subordinated debt instruments	(928)
Deductions of investments in shares of financial entities	(6,124)
Deductions of investments in shares of non-financial entities	(2,091)
Organization expenses, other intangible assets	(666)
Total	$ 113,589

The main characteristics of debt and capital notes were as follows:

Item	Appraised Amount	Maturity Date	Calculation	Weighted Average Amount
Non-convertible debt considered as basic capital:				
Eligible capital notes	$ 6,175	22/07/2015	100%	$ 6,175
Eligible capital notes	12,350	17/05/2022	100%	12,350
	$ 18,525			$ 18,525

– *Complementary capital:*

Item	Amount
Subordinated debt and capital notes	$ 25,435
Allowance for loan losses	3,145
Subordinated debt instruments, related to securitizations	(928)
Total	$ 27,652
Net capital	$ 141,241

The main characteristics of debt and capital notes were as follows:

Item	Appraised Amount	Maturity Date	Calculation	Weighted Average Amount
Non-convertible debt considered as complementary capital:				
Bancomer-06	$ 2,500	18/09/2014	80%	$ 2,000
Bancomer-08	1,200	16/07/2018	100%	1,200
Bancomer-08-2	3,000	24/09/2018	100%	3,000
Bancomer-08-3	2,859	26/11/2020	100%	2,859
Bancomer-09	2,729	07/06/2019	100%	2,729
Eligible capital notes	9,938	17/05/2017	100%	9,938
	$ 22,226			$ 21,726

Assets at risk are as follows:

– *Assets subject to market risk:*

Item	Risk-Weighted Positions	Capital Requirements
Transactions in Mexican pesos with a nominal rate	$ 181,367	$ 14,509
Transactions in Mexican pesos with real rate or rate denominated in UDIs	8,639	691
Rate of return based on the General Minimum Wage	13,033	1,043
Interest rate transactions in foreign currency with a nominal rate	7,828	626
Positions in UDIs and Mexican pesos with yield linked to NCPI	39,379	3,150
Positions in currencies with yield indexed to exchange rates	8,282	663
Positions in shares or with yield indexed to the price of a share or group of shares	275	22
Transactions based on the General Minimum Wage	73	6
Surtax	14,012	1,121
Total market risk	$ 272,888	$ 21,831

– *Assets subject to credit risk:*

Item	Risk-Weighted Assets	Capital Requirements
Weighted at 10%	$ 898	$ 72
Weighted at 11.5%	881	70
Weighted at 20%	28,435	2,275
Weighted at 23%	5,142	411
Weighted at 50%	1,108	89
Weighted at 100%	416,295	33,304
Weighted at 115%	9,615	769
Weighted at 125%	10,844	868
Internal methodology TDC	81,337	6,507
Total credit risk	$ 554,555	$ 44,365
Total credit risk	$ 107,908	$ 8,633

28. Position in foreign currency

At December 31, 2010 and 2009, the exchange rate determined by Banco de México and used by the Institution to value its assets and liabilities in foreign currency (translated to U.S. dollars) was $12.3296 and $13.0659 per U.S. dollar, respectively, and the position in foreign currency was as follows:

	Millions of U.S. Dollars	
	2010	2009
Assets	41,959	39,308
Liabilities	(42,066)	(39,383)
Net liability position in U.S. dollars	(107)	(75)
Net liability position in Mexican pesos (nominal value)	$ (1,327)	$ (980)

At February 21, 2011, the unaudited net asset position was similar to that at yearend, and the exchange rate at such date was $12.04 per U.S. dollar.

The Institution performs transactions in foreign currency, primarily in US dollars, Euros and Japanese yen. The Institution does not disclose its position in currencies other than the US dollar, as it is largely immaterial. The parity of other currencies with the Mexican peso is referenced to the US dollar and is in compliance with bank of Mexico regulations. Consequently, the Institution's position in all foreign currencies is consolidated in US dollars at each monthly close.

The foreign currency position of the other subsidiaries is immaterial.

29. UDI position

At December 31, 2010 and 2009, the Institution had UDI-denominated assets and liabilities translated into Mexican pesos, considering the prevailing conversion rate of $4.526308 and $4.340166 per UDI, respectively, as follows:

	Thousands of UDIs	
	2010	2009
Assets	15,143	19,181
Liabilities	(10,654)	(17,085)
Net liability position in UDIs	4,489	2,096
Net liability position in Mexican pesos (nominal value)	$ 20,319	$ 9,097

At February 21, 2011, the unaudited UDI position was similar to that at yearend, and the conversion rate was equivalent to $4.566798 per UDI.

30. Preventive and saving protection mechanism

During 2010 and 2009, contributions made by the Institution to IPAB were $2,513 and $2,527, respectively.

31. Financial margin

At December 31, 2010 and 2009, the main items composing the financial margin were as follows:

	2010		
	Mexican pesos	US dollars (equivalent in Mexican pesos)	Total
Interest income:			
Loan portfolio interest and returns	$ 60,528	1,805	$ 62,333
Securities interest and returns	3,477	451	3,928
Quick asset interest	3,319	101	3,420
Repurchase agreement and security loan interest and premiums	14,984	-	14,984
Margin call accounts interest	101	3	104
Commissions collected to initially grant credit	982	-	982
Others	2,928	-	2,928
Total interest income	86,319	2,360	88,679

	2010		
	Mexican pesos	US dollars (equivalent in Mexican pesos)	Total
Interest expenses:			
Deposits interest	12,225	46	12,271
Interest on loans with banks and other entities	913	25	938
Debenture interest	669	1,650	2,319
Repurchase agreement and security loan interest and premiums	12,467	-	12,467
Others	538	-	538
Total interest expenses	26,812	1,721	28,533
Financial margin	$ 59,507	639	$ 60,146

	2009		
	Mexican pesos	US dollars (equivalent in Mexican pesos)	Total
Interest income:			
Loan portfolio interest and returns	$ 64,110	1,935	$ 66,045
Securities interest and returns	1,516	556	2,072
Quick asset interest	3,973	226	4,199
Repurchase agreement and security loan interest and premiums	22,315	-	22,315
Margin call accounts interest	107	12	119
Commissions collected to initially grant credit	881	16	897
Others	2,784	(806)	1,978
Total interest income	95,686	(1,939)	97,625
Interest expenses:			
Deposits interest	14,573	84	14,657
Interest on loans with banks and other entities	1,520	103	1,623
Debenture interest	758	1,327	2,085
Repurchase agreement and security loan interest and premiums	19,687	-	19,687
Others	353	-	353
Total interest expenses	36,891	1,514	38,405
Financial margin	$ 58,795	1,425	$ 59,220

32. Commissions and fee income

At December 31, 2010 and 2009, the main items for which the Institution recorded commissions and fee income in the statement of income were as follows:

Concept	2010	2009
Bank commissions	$ 7,347	$ 8,010
Credit and debit cards	9,959	8,469
Afore, Pension Funds and SAR	2,795	2,332
Investment funds	2,516	1,304
Insurance	1,118	1,016
Others	3,301	3,080
Total commissions and fee income	$ 27,036	$ 24,211

33. Trading income

At December 31, 2010 and 2009, the main items composing the trading income were as follows:

	2010	2009
Valuation result		
Derivatives	$ 612	$ 3,944
Foreign currency	822	(4,970)
Securities investments	(2,142)	3,349
	(708)	2,323
Purchase-sale result		
Derivatives	(3,815)	2,040
Foreign currency	1,653	1,584
Securities investments	7,734	332
	5,572	3,956
Total	$ 4,864	$ 6,279

34. Segment information

The Financial Group and its subsidiaries participate in different activities of the Financial System, including full service banking, stock market intermediation, foreign remittance transfers, financial services, management of mutual funds, management of pension funds, etc. Performance evaluation and risk measurement in the different activities are based on the information produced by the business units of the Institution, rather than on the legal entities in which the results generated are recorded.

In this regard, given that the total revenues from the Institution's operations represent approximately 93% of the consolidated revenues of the Financial Group, below are the revenues obtained during 2010 and 2009, which include the different segments as described in the preceding paragraph:

Item	Total	Commercial Bank	Corporate and Government Banking	Market Operations	Securities Firm and Investment Fund	Retirement Saving Funds	Other Segments
	2010						
Interest income and expense, net	$ 60,395	$ 40,582	$ 7,545	$ 2,595	$ 48	$ 77	$ 9,548
Financial margin	60,395	40,582	7,545	2,595	48	77	9,548
Provision for loan losses	(19,621)	(17,039)	(1,365)	-	-	-	(1,217)
Net interest income after provision for loan losses	40,774	23,543	6,180	2,595	48	77	8,331
Commissions and fees, net	21,799	14,726	3,113	360	3,712	2,788	(2,900)
Trading income, net	4,924	880	526	856	(18)	-	2,680
Other operating income (expenses)	485	441	10	-	-	-	34
Net operating revenues	67,982	$ 39,590	$ 9,829	$ 3,811	$ 3,742	$ 2,865	$ 8,145
Total loss from the operation of other companies	(1,478)						
NET OPERATING REVENUES FROM THE INSTITUTION'S OPERATION	66,504						
Non-interest expense	(36,632)						
Operating income	29,872						
Other income	2,658						
Other expense	(2,640)						
Income before income taxes	29,890						
Income tax	(9,612)						
Deferred income tax	2,277						
Income before share in net income of unconsolidated subsidiaries and affiliates	22,555						
Share in net income of unconsolidated subsidiaries and affiliates	302						
Income before minority interest	22,857						
Non-controlling interest	(316)						
Net income	$ 22,541						

Item	Total	Commercial Bank	Corporate and Government Banking	Market Operations	Securities Firm and Investment Fund	Retirement Saving Funds	Other Segments
	2009						
Interest income and expense, net	$ 59,881	$ 42,782	$ 7,234	$ 1,330	$ 44	$ 81	$ 8,410
Financial margin	59,881	42,782	7,234	1,330	44	81	8,410
Provision for loan losses	(27,251)	(26,066)	(1,534)	70	-	-	279
Net interest income after provision for loan losses	32,630	16,716	5,700	1,400	44	81	8,689
Commissions and fees, net	20,920	14,747	3,646	269	3,178	2,315	(3,235)
Trading income, net	6,291	1,060	688	2,905	12	-	1,626
Other operating income (expenses)	234	427	(2)	-	-	-	(191)
Net operating revenues	60,075	$ 32,950	$ 10,032	$ 4,574	$ 3,234	$ 2,396	$ 6,889
Total loss from the operation of other companies	(2,979)						
NET OPERATING REVENUES FROM THE INSTITUTION'S OPERATION	57,096						
Non-interest expense	(33,091)						
Operating income	24,005						
Other income	2,125						
Other expense	(2,271)						
Income before income taxes	23,859						
Income tax	(7,105)						
Deferred income tax	1,623						
Income before share in net income of unconsolidated subsidiaries and affiliates	18,377						
Share in net income of unconsolidated subsidiaries and affiliates	301						
Income before minority interest	18,678						
Non-controlling interest	(232)						
Net income	$ 18,446						

Other segments include the results related to management of the credit portfolio assigned to the recovery area.

35. Risk management and derivatives

Considering the Commission's regulatory requirements relative to the disclosure of the policies and procedures established by credit institutions for comprehensive risk management, below are the measures implemented by management for this purpose, as well as the respective quantitative information:

The "General Regulations applicable to credit institutions", issued by the Commission, were implemented through the recognition of basic rules for efficient risk management, evaluating risks as quantifiable (credit, market and liquidity) and non-quantifiable (operational and legal), so the basic identification, measurement, monitoring, limitation, control and disclosure processes are satisfied. To summarize, the following is performed:

– *Participation of the governing bodies:*

The Board of Directors is responsible for establishing the objectives of risk exposure and fixing capital related limits, as well as authorizing the policies and procedures manuals related to risks.

The Risk Committee is responsible for monitoring the position and compliance with the risk limits to which the Institution is exposed, and for ensuring adherence to Board of Directors' resolutions.

– *Policies and procedures:*

Risk manuals with standard contents, including strategy, organization and operating, technological and methodological frameworks, and regulatory processes. Specific manual for legal risks, including related methodologies.

Defined and limited third-party responsibilities, risk training programs and communication of policies and procedures.

– *Tactic decision making:*

Independence of the Comprehensive Risk Management Unit.

Interaction of this unit with operating committees.

Establishment of monitoring processes and daily and monthly reports.

Limits structure in terms of economic capital for each business unit and type of risk.

Establishment, by the Risk Committee, of the authorization and ratification of process for new products and/or services involving risk for the Institution.

– *Tools and analyses:*

Continuous measurement of credit, market and liquidity risks under consistent methodologies and parameters.

Indicators of diversification levels (correlations).

Establishment of periodic analyses of sensitivity, testing under extreme conditions and review and improvement of models.

Install monitoring and operational and legal risk control methodologies in conformity with international standards.

Risk integration by defining capital requirements to absorb them.

– *Information:*

Periodic reports to the Risk Committee, Board of Directors, risk taking units, finance and senior management.

– *Technological platform:*

Comprehensive review of all source and calculation systems for risk quantification, projects for the improvement, quality and sufficiency of data and automation.

– *Audit and comptrollership:*

Participation of internal audit regarding compliance with Regulations on Comprehensive Risk Management and implementation of compliance plans by type and area of risk.

Performance of audits in compliance with Regulations on Comprehensive Risk Management by a firm of independent experts, concluding that risk measurement models, systems, methodologies, assumptions, parameters and procedures comply with their functionality based on the characteristics of the risk operations, instruments, portfolios and exposures of the Institution.

The Institution believes that at this date it fully complies with the provisions of Regulations on Comprehensive Risk Management, while projects continue to improve measurements and limitations, automation of processes and methodological refinements.

Methodological framework - Techniques for valuation, measurement and description of risks

For risk purposes, the Institution's balance sheet is envisioned as follows:

– *Market risk:*

Operations and investment portfolios- Investments in trading securities and securities available for sale securities, ledger of repurchase transactions and related derivative transactions.

Structural balance sheet- Other assets, including securities held to maturity and derivatives for the management of interest rate risk.

– *Credit risk:*

Domestic and foreign financial institutions, companies and corporate- Traditional loan portfolio, including small and medium companies, and exposures from investments in issues, and counterparts in derivative financial instruments.

Retail/consumer loans- Credit cards, financing plans and mortgage portfolio.

With respect to the risk market measurement process and the operations and investment portfolios, the daily measurement of market risk is done through statistical techniques of the Value at Risk (VaR), the core measurement. As an example, VaR consists of the following:

a. To define the sensitive level in the valuation of positions facing changes in prices, rates or indexes.

b. To estimate the "reasonably" expected change for a determined timeframe in such prices, rates or indexes, considering the level under which such factors can move as a whole.

c. To revalue the portfolio under such expected changes as a whole and determine the potential "maximum" loss in terms of value.

The VaR has been set based on the consideration that, in a day's transactions, 99% of the time losses will not exceed the calculated amount.

Also, different types of VaR calculations are performed, based on groups defined by risk factor: interest rate VaR, variable income VaR, volatility VaR (vega VaR) and exchange rate VaR.

With regard to the structural interest risk, categories are defined for each balance sheet heading based on their financial characteristics and the Economic Value and Financial Margin sensitivities are calculated using the methodology authorized by the Risk Committee. A red flag and limits system is in place for these sensitivities, whereby follow-up is provided each month in the Risk Committee and is presented quarterly to the Board of Directors.

With regard to liquidity risk, follow-up and information mechanisms have been established and approved by the Risk Committee, both for the management of short-term liquidity and of liquidity risk in the balance sheet. There is also a liquidity risk contingency plan, as well as a red flag system for quantitative and qualitative risk with different levels of risk. The short-term liquidity red flag system monitors the dynamic of the principal financing sources of the Treasury, and its distribution based on maturity deadlines. By the same token, the medium-term liquidity system monitors the optimal management of the Structural Balance Sheet resources based on the growth projections of the banking business.

The Assets and Liabilities Committee is the executive body responsible for managing the structural interest risk and liquidity risk.

In relation to the measurement of credit risks, the Risk Exposure (Exposure) is determined using two methodologies: the risk from batch positions is determined based on the Monte Carlo simulation, which means that the valuation formulas and risk factors used are consistent with those used for the market risk calculations, and incorporate the effect of the credit risk mitigation techniques (netting and collateral), and the term effect correctly, because the future value of each position is calculated in each tranche, resulting in a lower consumption of credit risk and therefore a better utilization of the limits. Also, for online determination, Potential Risk Factors (FRP's) are used, which estimate the maximum expected increase for the positive market value of the transaction with a given level of confidence. Such FRP's will be applied based on the type of product, duration, currency and the amount involved.

Quantitative information (unaudited) in thousands of Mexican pesos -

– Operation and investment portfolio:

	VaR 1 day	
Portfolio	**December 31, 2010**	**Average Fourth Quarter 2009**
Interest rate	$ 93	$ 100
Variable income	$ 41	$ 55
Foreign exchange	$ 20	$ 12
Volatility	$ 26	$ 44
Weighted	$ 99	$ 115

– Total Credit Risk exposure in derivatives as of December 2009:

Portfolio	December 31, 2010
Counterparty Risk Exposure	$ 942

During 2010 and 2009, the Institution recognized losses due to operating risks (fraud, casualties, fines and penalties) for the amount of $621 and $571, respectively.

Derivative transactions

Trading derivative instruments that are issued or acquired by the Treasury of the Institution are mainly intended to offer hedging solutions and investment alternatives to meet client needs. Furthermore, the Institution's treasury also acquires derivatives for the purpose of managing the risk from transactions with customers.

Valuation methods

To determine the portfolio value, two procedures are used depending whether they are instruments listed in recognized markets or traded in "over-the-counter" markets. In the first case, the price information from the official price supplier is used, and in the second, internal methodologies have been developed with the support of independent experts and the Mexican Central Bank itself, using variables provided in turn by the price supplier.

Internal control procedures to manage market risks

To control the market risk incurred by the Institution's treasury, the Risk Management Department establishes a structure of VaR limits depending on the level of risk set by the Institution. In accordance with current regulations and international standards, such control is applied daily and is reported directly to the Institution's senior management. Following is a summary of the principal market risk limits:

Limit	
VaR (one-day horizon)	$ 327
Annual loss	$ 568
Monthly loss	$ 227

Control of measures additional to VaR

Apart from follow-up on the implicit VaR level in the trading positions of the operating and investment portfolios, the Risk Department establishes a series of limits related to the sensitivity of the positions to minimum movements of the risk factors (sensitivities). A control is applied daily to the use of the interest rate sensitivity limit (Delta).

Coherence between VaR limits and sensitivity limits

To ensure that the VaR limits maintain a coherent relationship compared to the sensitivity limits, the Global Risk Management Unit in Market Areas (UAGRAM) prepares an annual coherence study based on random sensitivity scenarios and maximum restrictions, depending on the risk factor and its duration. The VaR calculation derived from these scenarios is used to determine a global VaR level both for the entire Treasury and for its different constituent desks.

Embedded derivatives

Under the Structured Bank Bonds issuance programs of the Institution, there are foreign currency, index and interest rate options recorded, equivalent to $3,247; also, there are interest rate and foreign currency swaps recorded for an amount of $16,430.

Sensitivity of interest to derivatives

Below is a table showing the detail of the sensitivity of interest derivatives, grouped by type of instrument:

Sensitivity	Delta Interest Rate 1bp	Delta Exchange Rate 1%
Peso swaps	$ 10	$ 135
Interest-rate options	(2)	17
	$ 8	$ 152

Hedge derivatives

Fair value

The Institution has fair value hedge derivatives intended to reduce the volatility of its results due to changes in the market value. The prospective effectiveness is measured by using the VaR, and the retrospective effectiveness by comparing the result from changes in the fair value against changes in the fair value of the primary position.

Cash flows

The Institution maintains cash flow hedge derivatives to reduce exposure to variations in interest rates, by changing such rates to a fixed rate in order to reduce the volatility of the financial margin. The method for evaluating the prospective effectiveness is through a sensitivity analysis; the retrospective effectiveness is measured by comparing the change in the present value of the flows from the hedge instrument against the changes in the present value of the flows of the hedged position.

The profit from cash flow hedge derivatives recognized in equity as of December 31, 2010 is $1,924; on which basis, taking the present value of the coupons that will be settled in 2010, it is estimated that revenue of $100 will be recognized in results.

Documentation of hedges

Each hedge is supported by a file that includes:

- A general hedge document, describing the type of hedge, the risk to be covered, the strategy and purpose of performing the transaction, the primary position, the hedging derivative and the method to evaluate the prospective and retrospective effectiveness.
- The primary position contract.
- The inventory of the derivative.
- The inventory of the primary position.
- The prospective and retrospective effectiveness test of each period.

36. Rating

As of December 31, 2010, the ratings assigned to the Institution are as follows:

Ratings Agency	Global Scale ME		National Scale		Perspective
	Long Term	Short Term	Long Term	Short Term	
Standard & Poor´s	BBB	A-3	mxAAA	mxA-1+	Stable/ Stable
Moody´s	Baa1	P-2	Aaa.mx	MX-1	Stable/ Stable
Fitch	A-	F1	AAA (mex)	F1+(mex)	Stable/ Stable

37. Reclassifications of the financial statements

The financial statements as of December 31, 2009 were reclassified in certain accounts to make them comparable with the presentation used for the financial statements as of December 31, 2010. Such reclassifications are made in the following headings: financial margin and results from intermediation.

38. Contingencies

At December 31, 2010, the Institution is subject to various legal proceedings and claims. However, in the opinion of its legal counsel, the claims without basis, and even if the resolutions are unfavorable, they will not have a material adverse effect on its financial position or results of operations. The Institution has established reserves totaling $496 in connection with such contingencies.

39. New accounting principles

As part of its efforts to make Mexican standards converge with international standards, in 2009, the Mexican Board for Research and Development of Financial Information Standards (“CINIF”) issued the following Mexican Financial Reporting Standards (NIFs), Interpretations to Financial Information Standards (INIFs) and improvements to NIFs applicable to profitable entities, which become effective for fiscal years beginning on January 1, 2011, as follows:

B-5, Financial Segment Information,
B-9, Interim Financial Information
C-5, Advance Payments

NIF B-5, Financial Segment Information.- Establishes management’s approach to disclose financial information by segment as opposed to Bulletin B-5, which, while using a management’s approach, required that the information be disclosed by economic segments, geographical areas or homogeneous groups of customers. The standard does not require that the business areas be subject to different risks from one another to separate them; it allows classifying as a segment area in the pre-operational stage; and requires the separate disclosure of interest income, interest expense and liabilities, as well as disclosure of information of the entity as a whole, by products, services, geographical areas, and major customers and suppliers. As the previous Bulletin B-5, this standard is only mandatory for public companies or entities in process of becoming public.

NIF B-9, Interim Financial Information.- Unlike Bulletin B-9, this standard requires a condensed presentation of the statement of changes in stockholders’ equity and the statement of cash flows as part of the financial information at interim dates and, for comparative purposes, requires that the information presented at the closing of an interim period be presented together with information at the end of the same interim period of the previous year and, in the case of the balance sheet, it requires presenting the closing balance sheet of the immediately preceding year.

NIF C-5, Advance Payments.- This standard sets as a basic feature of advance payments the fact that they do not yet transfer to the Company the risks and benefits of the ownership of goods and services to be acquired or received. Therefore, advances for the purchase of inventories or property, plant and equipment, among others, must be presented in the advance payments line item not in inventory or property, plant and equipment, respectively. It requires that advance payments be recognized as an impairment loss when they lose their ability to generate future economic benefits. This standard requires advance payments related to the acquisition of goods to be presented in the current or noncurrent sections of the balance sheet, based on their respective classification.

Improvements to Mexican Financial Reporting Standards 2011.- The main improvements generating accounting changes that should be recognized in fiscal years starting on January 1, 2011 are as follows:

> *NIF B-1, Accounting Changes and Error Corrections.-* This standard requires that if the entity has implemented an accounting change or corrected an error, it should present a retroactively adjusted statement of financial position at the beginning of the earliest period for which comparative financial information with that of the current period is presented. It also requires that each line item in the statement of changes in stockholders 'equity shows: a) initial balances previously reported, b) the effects of the retroactive application for each of the affected items in stockholders' equity, segregating the effects of accounting changes and corrections of errors, and c) the beginning balances retroactively adjusted.
>
> *NIF C-13, Related Parties.-* This standard defines a close family member as a related party and considers all persons who qualify as related parties or, excludes those who, despite the family relationship, are not related parties.
>
> *Bulletin D-5, Leases.-* Bulletin D-5 removes the obligation to determine the incremental interest rate when the implicit rate is too low; consequently, it establishes that the discount rate to be used by the lessor to determine the present value should be the implicit interest rate of the lease agreement. It eliminates the requirement to use the lower interest rate between the incremental interest rate and the implicit interest rate of the lease agreement to determine the present value of minimum lease payments the lessee may capitalize. It requires using the implicit interest rate of the agreement if it can be easily determined; otherwise, the incremental interest rate should be used. Both the lessor and the lessee should disclose more detailed information on their leasing operations. The Bulletin requires that the result in a sale and leaseback transaction be deferred and amortized over the term of the agreement and not in proportion to the depreciation of the leased asset. The Bulletin also establishes that the gain or loss on the sale and leaseback in an operating lease be recognized in results at the time of sale, provided that the transaction is established at fair value, noting that if the sales price is lower, the result should be recognized immediately in current earnings, unless the loss is offset by future payments that are below the market price, in which case it should be deferred and amortized over the term of the agreement and, if the selling price is higher, the excess should be deferred and amortized over the term of agreement.

At the date of issuance of these combined financial statements, the Institution has not fully assessed the effects of adopting these new standards on its combined financial information.

* * * * * *

ANNEX A

SIGNIFICANT DIFFERENCES BETWEEN MEXICAN BANKING GAAP AND U.S. GAAP

Mexican banks prepare their financial statements in accordance with Mexican Banking Accounting Criteria ("Mexican Banking GAAP") as prescribed by the CNBV. Mexican Banking GAAP encompasses general accounting rules for Banks as issued by the CNBV and, to the extent that such accounting rules do not address a given accounting topic, Mexican Financial Reporting Standards ("MFRS") prescribed by the Mexican Board for the Research and Development of Financial Information Standards (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera* ("CINIF")). Mexican Banking GAAP differs in certain significant respects from U.S. GAAP. Such differences might be material to the financial information contained in this offering memorandum. A summary of certain differences is presented below. We have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of the Company, including the terms of this offering and the financial information contained in this offering memorandum. Potential investors should consult with their own professional advisors for an understanding of the differences between Mexican Banking GAAP and U.S. GAAP, and how those differences might affect the financial information herein.

This summary should not be taken as exhaustive of all differences between Mexican Banking GAAP and U.S. GAAP. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in financial statements, including the notes thereto. We have not included in this offering memorandum a reconciliation of our Mexican Banking GAAP financial statements to U.S. GAAP.

Loan loss reserve

On December 2, 2005, "General Regulations Applicable to Credit Institutions" issued by the CNBV became effective (amended through December 24, 2009) which include the methodology for determining loan loss reserves. These provisions require the creation of allowances for loan losses for each type of loan, providing for the assignment of a rating based on risk (i.e., country, financial and industry sector), payment history and the value of guarantees for each borrower balance that exceeds 4,000,000 UDIS. The remaining loans are classified parametrically based on the number of months elapsed as of the first default. The ratings are used, among other things, to estimate a loan loss reserve. However, as in our case, the new provisions continue to allow the loan rating and creation of loan loss reserves based on internal methodologies previously authorized by the CNBV. Also, CNBV permits recognition of additional discretional reserves based on preventive criteria.

We assign an individual risk category to each commercial loan based on the borrower's financial and operating risk level, its credit experience and the nature and value of the loans' collateral. A loan loss reserve is determined for each loan based on a prescribed range of reserves associated to each risk category. In the case of the consumer and mortgage loan portfolios, the risk rating procedure and the establishment of loan reserves considers the period of time a loan is delinquent, the probability of noncompliance, the severity of the loss based on its balance and the nature of any loan guarantees or collateral.

Past-due loans are classified as non-performing under the following circumstances: (1) all loans are classified as non-performing when there is evidence that the customer has declared bankruptcy; (2) loans with a single payment of principal and interest at maturity are classified as non-performing 30 calendar days after the maturity date; (3) loans with a single payment of principal at maturity and with scheduled interest payments are classified as non-performing 30 calendar days after principal becomes past-due and 90 calendar days after interest becomes past-due; (4) loans requiring payment of principal and interest in accordance with scheduled payments are classified as non-performing 90 days after the first installment is past due; (5) revolving lines of credit are considered non-performing when payment has not been received for two normal billing periods or, when the billing period is not monthly, 60 calendar days following maturity, and (6) overdrafts are reported as non-performing loans at the time the overdraft occurs.

Under U.S. GAAP, estimated loan losses should be accrued when, based on information available prior to the issuance of the financial statements, it is probable that a loan has been impaired at the date of the financial statements and the amount of the loss can be reasonably estimated.

Specific loss reserves are calculated for large non-homogeneous loans and for groups of smaller-balance homogeneous loans when it is determined that it is probable that a bank will not recover the full contractual principal and interest on a loan (impaired loan), in accordance with the original contractual terms. Estimated losses are measured at the present value of expected future cash flows discounted at the loan's effective rate, or at the loan's observable market price or at the fair value of the collateral if the loan is collateral dependent.

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, loan provisions are estimated based on historical experience.

Under Mexican Banking GAAP, loans may be written-off when collection efforts have been exhausted or when they have been fully provisioned. On the other hand, for U.S. GAAP, loans (or portions of particular loans) should be written-off in the period that they are deemed uncollectible.

Non-performing loans

Under Mexican Banking GAAP, the recognition of interest income is suspended when loans are classified as non-performing based on the criteria established by the CNBV.

Under U.S. GAAP, the accrual of interest income is generally discontinued to the extent that such amounts are not expected to be recovered.

Fair value of financial instruments

Mexican Banking GAAP defines fair value as the amount an interested and informed market participant would be willing to exchange for the purchase or sale of an asset or to assume or settle a liability in a free market. This definition can consider either an entry or an exit price.

U.S. GAAP defines fair value as 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. This definition only considers an exit price. Consideration must be given to the principal and most advantageous market and the highest and best use of the asset.

Furthermore, U.S. GAAP establishes a three-level hierarchy to be used when measuring and disclosing fair value in a company's financial statements. Categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

- Level 1—Quoted prices for identical instruments in active markets.
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Securitized transactions and the consolidation of special-purpose entities

Under Mexican Banking GAAP, as of January 1, 2009, securitized transactions must fulfill the requirements established in accounting criterion C-1 "Recognition and Derecognition of Financial Assets" in order to be considered a sale and transfer of assets. If such requirements are not met, the assets must remain on the balance sheet, together with the respective debt issuances. Furthermore, a company must consolidate a special-purpose entity (SPE) when the economic basis of the relationship between both entities shows that the SPE is controlled by the former. Also, all securitized transactions made before the effective date of criterion C-1, are not consolidated since this criterion was issued considering a prospective implementation.

Under U.S. GAAP, the guidance surrounding derecognition financial assets is focused on an evaluation of control. In a transfer of financial assets (e.g. a securitization), an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. A transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. The transferor has surrendered control over transferred assets if and only if all of the following conditions are met:

- The transferred assets have been isolated from the transferor (beyond the reach of the transferor and its creditors), even in bankruptcy.
- Each transferee (or, if the transferee is a qualifying special-purpose entity (SPE), each holder of its beneficial interests) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.
- The transferor does not maintain effective control over the transferred assets through either (1) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or (2) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Business combinations

Upon Mexican Banking GAAP, the purchase consideration in a business combination is allocated to the fair values of separately identifiable assets acquired and liabilities assumed. Goodwill is recognized for the excess of purchase consideration paid over the fair value of net assets acquired. Negative goodwill, which is the excess of the fair value of net assets acquired over purchase consideration paid, is allocated to the value of net assets until such amount is reduced to zero.

Under U.S. GAAP, an acquirer in a business combination recognizes assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at fair value as of the acquisition date. The excess of fair value of net assets acquired over purchase consideration paid is recognized as a bargain purchase gain in earnings.

Employee retirement obligations

Effective January 1, 2005 Mexican Banking GAAP requires the recognition of a severance indemnity liability calculated based on actuarial computations. Mexican Banking GAAP allows companies to recognize an asset equal to the amount liability recognized for these benefits, which is amortized over the expected service life of the employees.

U.S. GAAP, companies have always been required to recognize a pension liability for severance indemnity liabilities. Accordingly, under U.S. GAAP, companies are not allowed the option of recognizing the transitional asset that is permitted under Mexican Banking GAAP.

In addition, under U.S. GAAP, requires recognition of the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position, recognizing changes in that funded status in the year in which the changes occur through other comprehensive income. Accordingly, certain deferred costs, which are recognized as a reduction of the pension liability under Mexican Banking GAAP, are included as part of the employee benefit liability under U.S. GAAP.

Guarantees

For Mexican Banking GAAP purposes, guarantees are recorded at cost at inception and disclosed in memorandum accounts unless payments in connection with the guarantee are probable, where the amounts expected to be paid are recorded.

For U.S. GAAP purposes, an entity recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing such guarantee.

Equity method investees

Under Mexican Banking GAAP, investments in associated companies in which we have more than a 10% ownership, are accounted for by the equity method.

For U.S. GAAP purposes, the equity method is applied for equity investments in which we have a 20 to 50% ownership.

Retained earnings adjustments

Where specific approval is given by the CNBV, certain adjustments and provisions which are created during the year may be charged to retained earnings and not to the statement of income for the period.

Under U.S. GAAP, when adjustments which relate to correction of errors in the prior year occur, the prior period financial statements are required to be restated. Under U.S. GAAP, loss provisions or other operating and non-operating expenses are recognized as a charge to income.

Deferred Income Tax

Mexican Banking GAAP is similar to U.S. GAAP with respect to accounting for deferred income taxes in that an asset and liability approach is required. Under Mexican Banking GAAP, deferred tax assets must be reduced by a valuation allowance if it is "highly probable" that all or a portion of the deferred tax assets will not be realized. The determination of the need for a valuation allowance must consider future taxable income and the reversal of temporary taxable differences. Net deferred income tax assets or liabilities are presented within long-term assets or liabilities.

For Mexican Banking GAAP purposes, based on projections of taxable income, companies must determine whether they will be subject to regular income tax or IETU in the future and, accordingly, must recognize deferred taxes based on the tax they expect to pay. Therefore, deferred taxes are calculated by scheduling the reversal of temporary differences under each tax regime and applying either the income tax or IETU rate to such temporary differences. If a company determines, based on its projections, that it will be both subject to IETU and ISR in the future, the company is required to schedule out the reversal of temporary differences under each tax regime and record the amount that represents the larger liability or the smaller benefit.

Under U.S. GAAP, a valuation allowance is recognized if, based on the weight of all positive and negative available evidence, it is "more likely than not" that all or a portion of the deferred tax asset will not be realized. In order to make this determination, entities must consider future reversals of taxable temporary differences, future taxable income, taxable income in prior carryback years and tax planning strategies. Additionally, if the company has experienced recurring losses, little weight, if any, may be placed on future taxable income as objective evidence to support the recoverability of a deferred income tax asset. U.S. GAAP requires that deferred tax assets and liabilities be classified as current or long-term depending on the classification of the asset or liability to which the deferred relates.

In addition, with respect to IETU, similar to Mexican Banking GAAP, companies must determine whether they will be subject to regular income tax or IETU in the future based on company projections, and accordingly recognize deferred taxes based on the tax they expect to pay in each period. However, if a company's projections indicate that it will be subject to both IETU and ISR in the future, it is required to record deferred taxes based on what they expect to pay in each future year, which could potentially result in the recognition of a deferred tax asset or liability that includes both income tax and IETU effects.

Consolidation

Under Mexican FRS, an entity is required to consolidate subsidiaries over which it is has established control, despite not holding a majority of the voting common stock of the subsidiary. Determining whether an entity has control is based on an analysis of corporate governance and economic risk and benefits.

Under U.S. GAAP, when a company has a controlling financial interest (either through a majority voting interest or through the existence of other control factors) in an entity, such entity's financial statements should be consolidated, irrespective of whether the activities of the subsidiary are non-homogeneous with those of the parent.

Entities over which a controlling financial interest is achieved through means other than voting rights are known as variable-interest entities ("VIEs"). Generally, VIEs are to be consolidated by the primary beneficiary which is the entity that has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Effects of inflation

Through December 31, 2007, Mexican Banking GAAP required that the effects of inflation be recorded in financial information and that financial statements be restated to constant Mexican pesos as of the latest balance sheet date presented. Beginning January 1, 2008, Mexican Banking GAAP modified the accounting for the recognition of the effects of inflation and defines two economic environments: (i) an "inflationary environment", in which the cumulative inflation of the three preceding years is 26% or more, in which case the effects of inflation should be recognized using the comprehensive method; and (ii) a "non-inflationary environment', in which the cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in the financial statements.

Under U.S. GAAP, historical costs must be maintained in the basic financial statements. Business enterprises are encouraged to disclose certain supplemental information concerning changing prices on selected statement of income and balance sheets items unless the company operates in a hyperinflationary economy. A hyperinflationary economy is generally defined as one in which the cumulative three year inflation rate exceeds 100%.

Statements of changes in financial positions and cash flows

Through April 27, 2009, Mexican Banking GAAP required the presentation of a statement of changes in financial position, which presented sources and uses of resources, determined based on the change in assets and liabilities in the balance sheet in constant pesos. Therefore, changes in financial position not affecting cash were not necessarily excluded from the statement of changes in financial position. No supplemental disclosures were required.

Beginning April 27, 2009, new Mexican Banking GAAP standards require the presentation of a cash flow statement, using the indirect method, presented in nominal pesos. The Company presents a statement of cash flows for the year ended December 31, 2010 and 2009.

Under U.S. GAAP, a cash flow statement would be required for all periods presented in the financial statements included herein.

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