BBVA Bancomer, S.A.,

Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, acting through its Texas Agency

U.S.$1,000,000,000 7.25% Non-Cumulative Fixed Rate Subordinated Non-Preferred Notes Due 2020

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.$1,000,000,000 7.25% Non-Cumulative Fixed Rate Subordinated Non-Preferred Notes Due 2020, or the "Notes." The Notes will mature on April 22, 2020, or the "Maturity Date," subject to adjustment as described herein and unless previously redeemed or payment of principal is deferred. We may redeem the Notes, subject to any regulatory requirements (including obtaining the approval of Banco de México), 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, (2) the Mexican laws that result in a Special Event (as defined in this offering memorandum) or (3) 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" and "Description of the Notes—Redemption—Special Event Redemption." **IF OUR CAPITAL RATIO (AS DEFINED IN THIS OFFERING MEMORANDUM) HAS DECLINED BELOW, OR WE DETERMINE THAT IT WILL IMMINENTLY DECLINE BELOW, THE MINIMUM PERCENTAGE REQUIRED FROM TIME TO TIME BY THE MEXICAN CAPITALIZATION REQUIREMENTS (AS DEFINED IN THIS OFFERING MEMORANDUM) OR IF A MEXICAN REGULATORY EVENT (AS DEFINED IN THIS OFFERING MEMORANDUM) OCCURS, WE WILL CANCEL ACCRUAL AND PAYMENT OF INTEREST THEREON AND DEFER PAYMENT OF PRINCIPAL THEREOF UNTIL THE END OF THE RELATED SUSPENSION PERIOD (AS DEFINED IN THIS OFFERING MEMORANDUM). BECAUSE PAYMENT OF INTEREST ON THE NOTES IS NON-CUMULATIVE, IN THE EVENT THAT THE ACCRUAL AND PAYMENT OF INTEREST IS CANCELLED DURING ANY SUSPENSION PERIOD, HOLDERS OF THE NOTES WILL NOT RECEIVE SUCH ACCRUED INTEREST AT THE END OF THE SUSPENSION PERIOD.** See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period."

The Notes are denominated in U.S. dollars and will bear interest from (and including) April 22, 2010, or the "Issue Date," up to (but excluding) the Maturity Date at a fixed rate per annum equal to 7.25%, payable semi-annually in arrears on April 22 and October 22 of each year (each an "Interest Payment Date"), commencing on October 22, 2010 until April 22, 2020.

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**, subordinated, **non-cumulative**, non-preferred obligations. In the event of our bankruptcy (*concurso mercantil*), liquidation or dissolution under Mexican law, the Notes will rank junior to all of our present and future senior indebtedness and subordinated preferred indebtedness and *pari passu* with all of our other present or future unsecured subordinated and non-preferred indebtedness. Payment of principal on the Notes may be accelerated only in the case of certain events involving our bankruptcy, liquidation or dissolution. In accordance with Articles 134 Bis and 134 Bis 1 of the Mexican Banking Law (*Ley de Instituciones de Crédito*), there will be no right of acceleration in the case of a default in the performance of any of our covenants, including the payment of principal and interest in respect of the Notes, or in the case of any cancellation or deferral in the payment of principal or interest in respect of the Notes. See "Description of the Notes—Events of Default, Notice and Waiver." 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 17.
Issue Price: 100%

plus accrued interest, if any, from and including April 22, 2010.
Delivery of the Notes in book-entry form will be made on or about April 22, 2010.

We expect that the Notes will be rated "A3" by Moody's Investor Service, Inc., and "BBB+" 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.

Joint Bookrunners

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

Joint Lead Managers

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

The date of this offering memorandum is April 15, 2010.

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THE MEXICAN CENTRAL BANK ("*BANCO DE MÉXICO")* HAS AUTHORIZED THE ISSUANCE OF THE NOTES, AS REQUIRED UNDER APPLICABLE MEXICAN LAW. AUTHORIZATION OF THE ISSUANCE OF THE NOTES BY *BANCO DE MÉXICO* DOES NOT ADDRESS THE LEGAL, TAX OR OTHER CONSEQUENCES TO THE HOLDERS OF THE NOTES, NOR DOES IT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES OR OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY, OR THE TRANSLATION OF THE TERMS OF APPLICABLE MEXICAN LAW AND REGULATION, INCLUDING ARTICLES 134 BIS AND 134 BIS 1 OF THE MEXICAN BANKING LAW (*LEY DE INSTITUCIONES DE CREDITO*), RELEVANT PROVISIONS OF CIRCULAR 2019/95 ISSUED BY *BANCO DE MÉXICO* AND THE GENERAL RULES FOR BANKS ISSUED BY THE CNBV *(DISPOSICIONES DE CARÁCTER GENERAL APLICABLES A LAS INSTITUCIONES DE BANCA MÚLTIPLE).*

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 foreign 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. Any purchaser or holder of Notes or any interest therein will be deemed to have represented by its purchase or holding thereof that either (1) it is not a plan, program or arrangement subject to ERISA, Section 4975 of the Code or substantially similar provisions of any federal, state, local or non-U.S. law and it is not purchasing securities on behalf of or using the assets of any such plan, program or arrangement or (2) such purchase and holding and any subsequent disposition of such Notes is covered by the exemptive relief provided by (a) 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 statutory or administrative 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 communication is only being distributed to and is only directed at (1) persons who are outside the United Kingdom or (2) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (3) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

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, 2008 and 2009 and for the years ended December 31, 2007, 2008 and 2009, 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, 2008 and 2009 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 and 2009 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 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, 2009, one UDI was equal to Ps.4.340166. For a description of the methodology used to adjust the financial statements to reflect the effects of inflation, see note 4 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, 2009.

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 18 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.13.0659 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, 2009. On January 4, 2010, the noon buying rate for pesos published by the Federal Reserve Bank of New York was Ps.12.9110 to U.S.$1.00. On March 31, 2010, the rate published by Banco de México in the Official Gazette of Mexico was Ps.12.4145 to U.S.$1.00, and the noon buying rate published by the Federal Reserve Bank of New York was Ps.12.3005 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, 2009. 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.
- *"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 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, 2009.

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 378,000 companies and government entities, and to over 15.7 million retail customers throughout Mexico. As of December 31, 2009, we had total assets of Ps.1,093,391 million and total deposits (including local bank bonds) of Ps.588,514 million. In 2009, our net income was Ps.18,446 million and our stockholders' equity was Ps.98,590 million. As of December 31, 2009, 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, 2009, GFBB accounted for approximately 11% of BBVA's total assets and contributed approximately 27% of BBVA's net income. As of December 31, 2009, we accounted for approximately 99% of GFBB's total assets and approximately 85% 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, 6,237 ATMs, 120,043 point of sale terminals and through our website *www.bancomer.com*. We are focused on offering our services in an efficient manner, and approximately 85% 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, 2009, we are a leader in 27 out of 32 Mexican states in terms of total deposits.

Commercial activity has been growing over the last three years, at an average rate above GDP economic growth. Compounded annual growth for our loan portfolio was 6.4% from 2007 to 2009, while total deposits (including demand and time deposits) showed a compounded annual growth of 10% during the same period.

Despite the deterioration of the global macro economic environment in 2008 and 2009, our loan portfolio grew in recent years while maintaining a sound asset quality. Total non-performing loans as percentage of total loans equaled 3.7%. During 2009, our loan portfolio changed with an increase in commercial and mortgage loans and a decrease in consumer loans. Our net income grew 5.7% in 2007, decreased 6.6% in 2008, but grew 0.5% in 2009, in each case as compared to the previous year. Net income increased in 2009 as a result of the combination of favorable fee income and commissions and trading income that offset lower net interest income and higher provisions for loan losses, which were attributable to stricter risk management measures and higher delinquency rates, mainly related to our consumer portfolio. Our performing loan portfolio grew 19.6% in 2007, 11.1% in 2008 and 0.6% in 2009, 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 December 31, 2009, a total of 41 banks operated in Mexico compared to 43 banks that operated in Mexico in 2008. We hold the leading position in the following business lines:

	As of December 31, 2009(1)	
	Market Share	Rank
Total assets	23.0%	1
Total deposits	25.5%	1
Total peso-denominated bond issuances(2)	20.6%	1
Total loans	26.5%	1
Number of branches	16.7%	1

(1) Source: CNBV, except as otherwise noted.
(2) Source: Bloomberg L.P.

Our principal subsidiaries include:

- *Administradora de Fondos para el Retiro Bancomer, S.A. de C.V.* ("AFORE Bancomer"), a pension fund management company; and
- *Bancomer Financial Holdings*, 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 ("BFS"), an agent for BTS in the State of California for money transfers and bill payments; and Bancomer Foreign Exchange ("BFX"), a currency exchanger and agent of BTS in Texas.

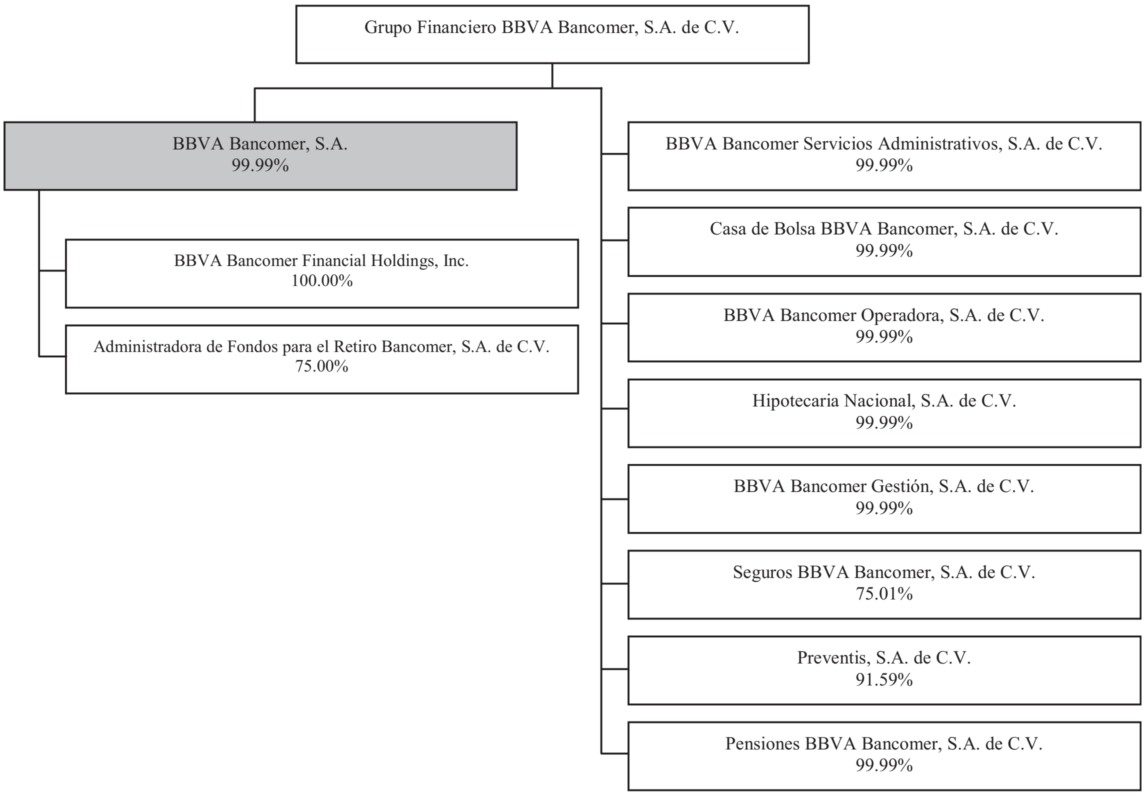
Organizational Structure

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 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. 99.9 % 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 through business units dedicated to developing custom-made products for each segment and delivering these products through specialized networks and representatives.

Our strategy focuses on developing the following areas:

Customer base

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.

As of December 31, 2009, we had 15.7 million individual customers, including approximately 378,000 companies, including large corporations, small and medium-sized enterprises and small businesses, and 6,417 government customers.

This wide customer base is segmented according to the level of relationship each customer maintains with the Bank. Such relationship is measured through the customers' deposit balances. We design and develop different products in order to better service each segment within this customer base. Customers are attended to through specialized business units with dedicated bank representatives in specialized offices. One of our most important goals is to increase penetration of financial products and services within our own customer base. In order to increase knowledge and to better fulfill our customer's needs, in 2008 we created a special unit under the name of "Customer Insight".

At the end of 2009, we achieved a positive impact on our self-maintained customer satisfaction index as a result of increased efforts arising from all business units. These results were supported by the diverse programs and actions developed by the Bank to improve customer service, such as *Bancomer Q*, as described below. To further improve our customer satisfaction, we have improved our products and channels of delivery that are most valued by our customers, allowing us to generate a breakthrough in defining 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 dialogue and coordination between business areas. NPS allows us to identify the causes of satisfaction and dissatisfaction amongst our customers and prioritize critical areas of improvement. All these measures are designed to generate recommendations by our customers of our services to potential new customers.

Besides increasing 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 Mexican banking system, thus providing us with a considerable opportunity to increase our revenues through selective lending activities. We intend to focus on opportunities to increase lending to this under-served segment 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.

One of the most important initiatives to improve customer service is the program *Garantías Bancomer*, a program focused on providing aggregate value and strengthening our long-term engagement with our customers through a focus on quality. This program offers 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. As of December 2009, this program included 12 different guarantees with a success rate of 99.98% at the end of the year.

We seek to establish a long-term relationship with our customers by offering high quality services and constant support to develop the best solutions and products. To achieve these goals, we launched the program *Bancomer Q*, that seeks primarily to increase our service and maintain the preference of our customers. This program helps us realize 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 2009, 79% of our retail branches where certified as *Bancomer Q*. The remaining 21% are undergoing a certification process. Meanwhile, the service quality at these branches is measured through customer surveys.

In order to improve service quality 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. Also, we have made considerable attempts to reduce branch traffic through the installation of electronic payment systems, lowering the number of customers waiting for tellers, even after an increase in the number of transactions and customers. As of December 31, 2007, 17.8% of total banking transactions were made through tellers while as of December 31, 2009, this number was reduced to 15.0%.

One of our main challenges and a central part of our strategy is to increase the cross-selling of all of our products. As of December 31, 2009, we actually held a cross-selling index of 1.85 products per customer. We expect that we will increase this rate gradually as knowledge of our customer base grows.

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 development of the ratio of our provisions for loan losses to average loan portfolio known as "risk premium":

	Risk Premium		
	2007	2008	2009
		(%)	
Bancomer	3.0	4.9	5.3
Banamex	5.9	9.2	7.2
Santander	3.7	6.7	7.0
HSBC	5.3	7.8	8.8
Banorte	1.6	3.2	3.5
Scotiabank	2.1	3.2	3.0
Market not considering Bancomer	4.3	6.7	6.7

Source: CNBV and included banks' quarterly report of December 2009.

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, 2009, 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.

Over the last three years, we have improved our productivity and efficiency ratio. According to the CNBV, as of December 31, 2007, our efficiency ratio was 43.1%, as of December 31, 2008, our efficiency ratio reached 39.0%, and as of December 31, 2009, our efficiency ratio reached 39.4%, which represented the highest level of efficiency in the Mexican financial system.

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, 2009, our website was the most preferred website for financial transactions according to Aqmetrix, an agency that develops indicators of financial services.

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, 2009, this program reached 18 states and 143 municipalities. Since the beginning of its operation, *Por los que se quedan* has granted a total of 15,600 scholarships, totaling Ps.228 million.

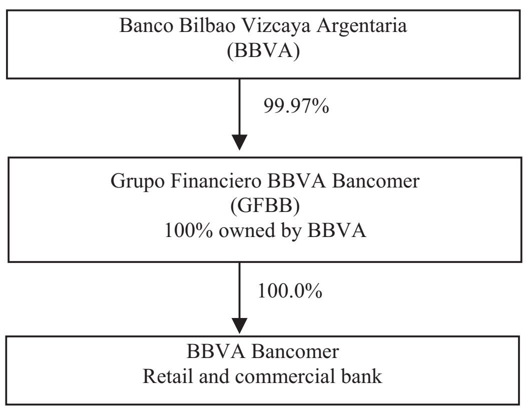
We are also focused on increasing financial education in Mexico through our program *Educación Financiera*, which provides users guidance on banking products and services. We hold various workshops that seek to educate users on savings, credit cards and mortgage loans. We have been able to deliver these workshops in an easy-to-access format, using our retail branches, or through mobile classrooms or electronic channels such as our website. For the year ended December 31, 2009, we have given more than 56,000 workshops to more than 111,000 participants.

Recent Developments

On April 8, 2009, the extraordinary general shareholders' meetings of BBVA Bancomer, S.A. and BBVA Bancomer Servicios S.A., approved a merger agreement between these two entities, pursuant to which BBVA Bancomer Servicios, S.A. merged into BBVA Bancomer, S.A. The merger agreement became effective on August 1, 2009, upon the approval by the CNBV. This merger increased our capital stock from Ps.3,828 million to Ps.4,243 million.

On July 22, 2009, the Ministry of Finance and Public Credit authorized BBVA to acquire 4,731,069,480 Series "F" shares of GFBB, with a par value of Ps.0.11 each, representing 51% of the paid capital stock of GFBB. As a result of this acquisition, GFBB is the foreign financial institution with majority shareholders interest in BBVA, holding a 99.97% interest in BBVA.

The following chart presents our current holding organizational structure.



In 2008, we completed the sale of our main properties. During the same period, we purchased two plots of land intended for our new corporate and operating headquarters. The corporate building will be located in *Paseo de la Reforma*, the financial center of Mexico City, while 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.

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.$1,000,000,000 aggregate principal amount of 7.25% Non-Cumulative Fixed Rate Subordinated Non-Preferred Notes due 2020.
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	100% of the principal amount.
Issue Date	April 22, 2010.
Maturity Date	The Interest Payment Date (as defined herein) falling on or nearest to April 22, 2020. The Notes are subject to: • Withholding Tax Redemption and Special Event Redemption prior thereto, and • deferral of payments of principal and cancellation of accrual and payment of interest in connection with a Suspension Period (as defined below). in each case, as described elsewhere in this offering memorandum.
Indenture	The Notes will be issued under an indenture, dated as of April 22, 2010 between us and The Bank of New York Mellon as trustee.
Rating	We expect that the Notes will be rated "A3" by Moody's Investor Service, Inc. ("Moody's), and "BBB+," respectively 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.
Interest and Principal	The Notes will bear interest from (and including) April 22, 2010, or the "Issue Date," up to (but excluding) the Maturity Date at a fixed rate per annum equal to 7.25%, payable semi-annually in arrears on April 22 and October 22 of each year (each an "Interest Payment Date"), commencing on October 22, 2010. 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. Interest on the Notes to be calculated in respect of an Interest Period will be calculated on the basis of a 360-day year of twelve 30-day months.

Principal will be paid on the Maturity Date unless the Notes have been redeemed prior thereto as provided in this offering memorandum or principal payments have been deferred in connection with a Suspension Period (as defined below).

We have the right to and will cancel interest accrual and interest payments and defer principal payments on the Notes during a Suspension Period, as described below.

The accrual and payment of interest and payment of principal with respect to the Notes will resume upon the occurrence of any of the Suspension Period termination events, as described below.

Redemption .... We may not redeem the Notes, in whole or in part, other than as described below under "Withholding Tax Redemption" and "Special Event 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"); *provided*, *however*, in the event of such a Withholding Tax Redemption with respect to the Notes, we shall be in compliance with applicable Mexican regulations in effect on the applicable Redemption Date. In the event of such a Withholding Tax Redemption, we are required by Banco de México to obtain its authorization to redeem such Notes on or prior to the applicable Redemption Date. If we were to effect such a Withholding Tax Redemption with respect to the Notes, we would, to the extent required by Mexican law, have to issue or have issued prior to the applicable Redemption Date securities or other instruments that are eligible to be computed as Tier 1 Capital for the same principal amount pursuant to the Rules for Capitalization. Our obligation to obtain Banco de México's authorization to redeem the Notes and the summary of Mexican regulations described in the preceding sentences are included herein for information purposes only and shall not grant any rights to the trustee or the holders of such Notes.

Special Event Redemption	We also have the option under the indenture for the Notes to redeem the Notes at any time prior to the Maturity Date, in each case in whole but not in part, at the Special Event Price (as defined in "Description of the Notes") upon the occurrence of a Special Event (which event happens upon the occurrence of certain changes in capital treatment or tax deductibility of the Notes and the satisfaction of certain conditions, and is described in "Description of the Notes—Redemption—Special Event Redemption") affecting the Notes (in each case, a "Special Event Redemption"); *provided*, *however*, in the event of such a Special Event Redemption with respect to the Notes, we shall be in compliance with applicable Mexican regulations in effect on the applicable Redemption Date. In the event of such a Special Event Redemption of the Notes, we are required by Banco de México to obtain its authorization to redeem such Notes on or prior to the applicable Redemption Date. If we were to effect such a Special Event Redemption with respect to the Notes, we would, to the extent required by Mexican law, have to issue or have issued prior to the applicable Redemption Date securities or other instruments that are eligible to be computed as Tier 1 Capital for the same principal amount pursuant to the Rules for Capitalization. Our obligation to obtain Banco de México's authorization to redeem the Notes and the summary of Mexican regulations described in the preceding sentences are included herein for information purposes only and shall not grant any rights to the trustee or the holders of such Notes.
Suspension Period	(1) A Suspension Period will commence and we will cancel accrual and payment of interest on the Notes and defer the payment of principal thereof, upon the occurrence of the following: (i) (x) our minimum Capital Ratio declines below the minimum percentage required from time to time by the Mexican Capitalization Requirements or (y) our board of directors reasonably determines that it is immediately imminent that our Capital Ratio will decline below the minimum percentage required from time to time by the Mexican Capitalization Requirements (in either case, a "Capital Ratio Event"); or (ii) the CNBV institutes a preventive or corrective measure against us pursuant to Article 134 Bis or Article 134 Bis 1 of the Mexican Banking Law (including the corresponding rules set forth under the General Rules for Banks), which requires deferring payments of principal and canceling payments of interest otherwise due on the Notes (a "Mexican Regulatory Event"). (2) A Suspension Period shall not give rise to an Event of Default under the indenture or the Notes. A Suspension Period shall terminate and the accrual and payment of interest due on the Notes and payment of principal thereof, will resume (i) if the Suspension Period was triggered by a Capital Ratio Event, when our Capital Ratio is no longer below, the minimum percentage required, from time to time,

by the Mexican Capitalization Requirements, or our board of directors reasonably determines that there is no longer a risk that our Capital Ratio will decline below the minimum percentage required, from time to time, by the Mexican Capitalization Requirements; (ii) if such Suspension Period was triggered by a Mexican Regulatory Event, when the related Mexican Regulatory Event has terminated; or (iii) if dividends or other distributions are paid by us on or in respect of our capital stock, other than the Dividend Exceptions (as defined below).

(3) During any Suspension Period, we shall not: (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock (which includes common and preferred stock); (ii) make any payment of principal of or premium, if any, or interest on or repay, repurchase or redeem any of our debt securities that rank *pari passu* with or junior in right of payment and in liquidation to the Notes; or (iii) to the extent any such guaranty is permitted under applicable law, make any guaranty payments with respect to any guaranty by us of the debt securities of any of our subsidiaries if such guaranty ranks *pari passu* with or junior in right of payment and in liquidation to the Notes; provided, however, that (x) the foregoing shall not, to the extent permitted by the Mexican Capitalization Requirements or applicable law, prohibit payment of the Dividend Exceptions and (y) the foregoing shall not apply to the extent that we obtain prior regulatory consent for any action that would otherwise be prohibited and resume full payment of interest due (including payment of any previously accrued interest due) on the Notes and principal thereof for the period in which such action is taken. Subject to the foregoing, we shall pay interest due on the Notes and principal thereof so long as we are paying dividends or other distributions on or in respect of our capital stock.

(4) "Dividend Exceptions" shall mean (i) dividends or distributions in shares of or options, warrants or rights to subscribe for or purchase shares of, our common stock; (ii) any declaration of a stock dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan in the future; (iii) any reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock; (iv) the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged; (v) purchases of common stock related to the issuance of common stock or rights under any of our benefit plans for our directors, officers or employees and (vi) other equivalent transactions not involving payments or distributions in cash.

Treatment of Interest and Principal During a Suspension Period . . . . *Cancellation of Interest and Deferral of Principal Payments*. We have the right to and will cancel accrual and payments of interest due on the Notes and defer the payment of principal thereof for the duration of any Suspension Period. In the event of a cancellation of the accrual and payment of interest on the Notes or deferral of payment of principal thereof, we will notify the holders of the Notes in accordance with the procedures described in the indenture. Payments of interest due on the Notes will be non-cumulative, so that in the event that payments of interest cease during a Suspension Period, holders of the Notes will have no right to receive any amount of unpaid interest (which would have accrued had there not been a Suspension Period) at the end of such Suspension Period, whether or not such payments are paid at any future Interest Payment Date. Notwithstanding the foregoing, all interest accrued prior to a Suspension Period, but not paid as a result of such Suspension Period in effect on the relevant Interest Payment Date(s) on which such payments would have been payable, will be payable (without interest on such previously accrued payments) on the next succeeding Interest Payment Date on which no Suspension Period is in effect. If a Suspension Period exists on the Maturity Date, payment of principal will be deferred without interest until the date that is five Business Days after the date on which no Suspension Period is in effect. Principal payments may be deferred but not cancelled. When a Suspension Period is no longer in effect, we will notify the holders of the Notes in accordance with the procedures described in the indenture for the Notes.

Ranking . . . . The Notes constitute Subordinated Non-Preferred Indebtedness (*obligaciones subordinadas no preferentes*) and will rank (1) junior to our Senior Indebtedness and Subordinated Preferred Indebtedness (*obligaciones subordinadas preferentes*), (2) *pari passu* among themselves and with all our other Subordinated Non-Preferred Indebtedness, including our (i)U.S.$500,000,000 non-cumulative fixed/floating rate subordinated non-preferred notes due 2015; (ii) U.S.$500,000,000 non-cumulative fixed/floating rate subordinated non-preferred notes due 2022; and our (iii) Ps.2,500,000,000 floating rate subordinated, non-preferred, non-convertible debentures (*obligaciones subordinadas no preferentes, no susceptibles de convertirse en acciones*) due 2014, and (3) senior only to all classes of our capital stock, as described in this offering memorandum.

Use of Proceeds . . . . Our net proceeds from the issuance of the Notes are estimated to be approximately U.S.$997,434,000. 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; No Acceleration Except in Case of Certain Events Involving Bankruptcy, Liquidation or Dissolution	An Event of Default is defined in the indenture as: (i) a default for 30 calendar days in the payment of interest due and payable on the Notes, under the indenture, other than during a Suspension Period; (ii) a default in the payment of the principal due and payable on the Notes, under the indenture, except during a Suspension Period; or (iii) certain events involving our bankruptcy (including *concurso mercantil* or *quiebra*), liquidation or dissolution. The payment of the principal of the Notes may be accelerated only upon the occurrence of an event of default described in (iii) above (a "Bankruptcy Event of Default"). There is no right of acceleration of the payment of principal of the Notes upon the occurrence of any of the other Events of Default noted above, including a default in the payment of principal or interest. See "Risk Factors—Risks Relating to the Notes—If we do not satisfy our obligations under the Notes, your remedies will be limited."
Voting Rights	None.
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, 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 such 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 such 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, W8ECI, 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 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."

Acquisition Restrictions .... Under applicable Mexican law, we are prohibited from acquiring, directly or indirectly, the Notes. In addition, certain Mexican financial entities may not acquire the Notes. See "Description of the Notes—Restrictions Applicable to Mexican Financial Institutions."

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.$100,000 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: US05533AAA07 144A CUSIP: 05533AAA0 Reg S ISIN: USP1R23DAA49 Reg S CUSIP: P1R23DAA4

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.

The global economy is currently undergoing a period of slowdown and unprecedented volatility and has been 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. The future economic environment may continue to be less favorable than that of recent years. 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. Specifically, the decline of interest rates has negatively affected our financial margin. 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.

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, 2009, Mexico's ten largest domestic banks, measured in terms of assets, held 89% 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 decreased 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.

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.

According to Banco de México estimates, in 2004, the Mexican gross domestic product ("GDP") grew by 4.0% and inflation increased to 5.0%. In 2005, GDP grew by approximately 3.2% and inflation decreased to 3.3%. In 2006, GDP grew by approximately 5.0% 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%.

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% and 5.4% for 2004, 2005, 2006, 2007, 2008 and 2009, 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 and depreciated by 21.3% in 2009, 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%. 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 35% from its average level in July 2007 to its January 2009 average level, while Mexico's stock exchange index (IPC) fell by 39% 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.

The new 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 includes changes to the tax consolidation regime that will require the deconsolidation of tax returns prepared for prior periods. Specifically, the tax reform requires taxes to be paid on items in past years that were eliminated in consolidation or that reduced consolidated taxable income. In addition, 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 unsecured and subordinated and rank junior in right of payment and in liquidation to all of our present or future senior indebtedness and subordinated preferred indebtedness.

The Notes constitute our non-cumulative, unsecured, subordinated, non-preferred indebtedness, and will be subordinated and junior in right of payment and in liquidation to all of our senior indebtedness and subordinated preferred indebtedness and will rank *pari passu* without preference among themselves and with all of our other unsecured subordinated non-preferred indebtedness (including our U.S.$500 million non-cumulative fixed/floating rate subordinated non-preferred Notes due 2015, which we refer to as the 2015 Notes, our U.S.$500 million non-cumulative fixed/floating rate subordinated non-preferred notes due 2022, which we refer to as the 2022 Notes and our Ps.2,500,000,000 floating rate subordinated, non-preferred, non-convertible debentures (*obligaciones subordinadas, no preferentes, no susceptibles de convertirse en acciones*) due 2014, which we refer to as the 2014 Notes). The Notes will also rank effectively junior to all of our subsidiaries' indebtedness and our liabilities. No payment of principal (including redemption payments), premium, if any, or interest on the Notes may be made at any time when any senior indebtedness or subordinated preferred indebtedness is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or the maturity of any senior indebtedness or subordinated preferred indebtedness has been accelerated because of a default.

By reason of the subordination of the Notes, in the case of certain events involving bankruptcy, liquidation or dissolution, although the Notes would become immediately due and payable at their principal amount together with accrued interest thereon, our assets would be available to pay such amounts only after all of our senior indebtedness and subordinated preferred indebtedness have been paid in full. As of December 31, 2009, we had, on a consolidated basis, an aggregate of Ps.36,825 million of senior long-term indebtedness outstanding. The indenture does not limit our ability to incur additional senior indebtedness and subordinated preferred indebtedness from time to time. See "Description of the Notes—Subordination."

Payments to be made by us under the Notes could be cancelled, in respect of interest, or indefinitely suspended, in respect of principal, if our Capital Ratio has declined below, or if we determine that it will imminently decline below, the Capital Ratio required under the Mexican Capitalization Requirements, or if a Mexican Regulatory Event has occurred and is continuing.

Under the Rules for Capitalization, capital securities issued by us will be taken into account when assessing our risk-weighted capital adequacy. In order for the subordinated debentures represented by the Notes to qualify as our capital, interest payments will be cancelled and principal payments will be deferred, on the corresponding payment dates and maturity dates, if our Capital Ratio declines below the minimum percentage required from time to time by the Mexican Capitalization Requirements (as of the date of this offering memorandum, the minimum percentage required in order for the CNBV not to require the cancellation or deferral of interest or deferral of principal of subordinated debt such as the Notes is 8%), or if we determine that our Capital Ratio will imminently decline below such minimum percentage, or if any Mexican Regulatory Event has occurred and is continuing. See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period."

In any such case, or Suspension Period, all principal payments under the Notes will be deferred until our Capital Ratio reaches an amount equal to or greater than the minimum percentage required under the Mexican

Capitalization Requirements. If a Suspension Period exists on the maturity date of the Notes, payment of principal will be deferred with interest until the date that is five Business Days after the date on which no Suspension Period is in effect. Principal payments may be deferred indefinitely but not cancelled. In addition, interest on our Notes will be non-cumulative, so that in the event that payments of interest cease during a Suspension Period, holders of the Notes will have no right to receive any amount of unpaid interest (which would have accrued had there not been a Suspension Period) at the end of such Suspension Period, whether or not such payments are paid on any other interest payment date. See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period." Any suspension or cancellation, as the case may be, of payments due to our failure to maintain a Capital Ratio equal to or greater than the minimum percentage required under the Mexican Capitalization Requirements would have a material adverse effect on our ability to make scheduled payments under the Notes.

For United States federal income tax purposes, we believe that, as of the issue date of the Notes, there is a remote likelihood that a Suspension Period will occur. If, however, a Suspension Period occurs, payments of stated interest or, in some circumstances, principal on the Notes is deferred, the Notes could at that time be treated as having been issued with original issue discount for United States federal income tax purposes. This means that you could be required to include accrued interest in your income for United States federal income tax purposes before you receive any cash distributions. See "Taxation—Certain United States Federal Income Tax Consequences."

If we do not satisfy our obligations under the Notes, your remedies will be limited.

Payment of principal on the Notes may be accelerated only in specified instances involving our bankruptcy (including *concurso mercantil*), liquidation or dissolution. There is no right of acceleration in the case of a default in the performance of any of our covenants, including a default in the payment of principal or interest. See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period" and "Description of the Notes—Events of Default, Notice and Waiver."

Even if the payment of principal on the Notes is accelerated due to our bankruptcy (including *concurso mercantil*), liquidation or dissolution, our assets will be available to pay those amounts only after:

- all of our senior obligations have been paid in full, and all of our subordinated preferred indebtedness has been paid in full, as described in "Description of the Notes—Subordination"; and
- we are actually declared bankrupt or are dissolved or put into liquidation for purposes of Mexican law.

As a result, recoveries on the Notes may be substantially limited.

The Notes are subject to redemption in the event of specified changes affecting the treatment of Notes under the Rules for Capitalization or changes affecting the taxation of the Notes.

Upon the occurrence and continuation of certain specified changes affecting taxation of the Notes of a particular series or treatment of the Notes of a particular series as capital securities under the Rules for Capitalization, as described under "Description of the Notes—Redemption—Withholding Tax Redemption" and "Description of the Notes—Redemption—Special Event 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) subject to any regulatory requirements.

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.

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.

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.

USE OF PROCEEDS

Our net proceeds from the issuance of the Notes are estimated to be approximately U.S.$997,434,000. We intend to use the net proceeds of the issuance of the Notes to strengthen our capital and 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
October	12.92	13.68	13.24	13.08
November	12.87	13.38	13.12	12.91
December	12.60	13.06	12.86	13.04
2010:				
January	12.65	13.07	12.80	13.00
February	12.80	13.18	12.95	12.85
March	12.41	12.78	12.59	12.78

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

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.11,889 million on May 18, 2009. Additionally, we paid dividends of Ps.14,931 million and Ps.15,710 million on June 8, 2007 and July 22, 2008, respectively, in each of the three cases from our "results from prior years" account. In our shareholders' meeting in July 2010, our shareholders are expected to determine and approve the amount of dividend payments from our 2009 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, 2009, 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 2010.

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, 2009, 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, 2009, they were in compliance with this requirement. As of December 31, 2009, we had set aside Ps.28,801 million in legal reserves compared to paid-in capital of Ps.39,864 million.

CAPITALIZATION

The following table sets forth, as of December 31, 2009, our actual capitalization and our capitalization as adjusted to reflect the issuance of the Notes.

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, 2009		
	Actual	As Adjusted for the Offering	
	(millions of Ps.)	(millions of Ps.)	(millions of U.S.$)
Long-term indebtedness			
Senior indebtedness	Ps. 36,825	Ps. 36,825	U.S.$ 2,818
Subordinated preferred indebtedness	11,247	11,247	861
Subordinated non-preferred indebtedness	25,928	38,839	2,984
Local bank bonds	8,198	8,198	627
Total long-term indebtedness	82,198	95,109	7,290
Stockholders' equity			
Subscribed capital(1)	39,864	39,864	3,051
Earned capital	58,029	58,029	4,441
Subtotal	97,893	97,893	7,492
Minority interest	697	697	53
Total stockholders' equity	98,590	98,590	7,545
Total capitalization(2)	Ps. 180,788	Ps. 193,699	U.S.$ 14,835

(1) As of December 31, 2009, 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, 2009.

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 16 to our audited financial statements included elsewhere in this offering memorandum.

The information presented in this section may vary when compared to the audited financial statements due to adjustments in regulations of the Mexican Banking GAAP.

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,					
	2005	2006	2007	2008	2009	2009(1)
	(millions of constant Ps. as of December 31, 2007, except percentages)			(millions of Ps.)		(millions of U.S. $)
Income Statement Data:						
Interest income	Ps. 71,095	Ps. 76,250	Ps. 91,024	Ps. 108,285	Ps. 99,811	U.S.$ 7,639
Interest expense	(36,249)	(29,867)	(38,788)	(46,831)	(45,561)	(3,487)
Monetary gain, net	(425)	(1,655)	(1,556)	—	—	—
Net interest income	34,421	44,728	50,680	61,454	54,250	4,152
Provisions	(3,438)	(7,042)	(12,622)	(23,994)	(27,255)	(2,086)
Net interest income after provision for loan losses	30,983	37,686	38,058	37,460	26,995	2,066
Commissions and fees	16,340	18,220	19,138	18,603	18,673	1,429
Trading income (loss), net	1,067	3,021	240	(753)	11,521	882
Operating revenue	48,390	58,927	57,436	55,310	57,189	4,377
Non-interest expense	(25,862)	(27,525)	(30,089)	(31,351)	(33,172)	(2,539)
Operating income	22,528	31,402	27,347	23,959	24,017	1,838
Other income (expense), net	(542)	180	(756)	(747)	(158)	(12)
Monetary loss	(460)	(223)	(287)	—	—	—
Earnings before income taxes and employee profit sharing	21,526	31,359	26,304	23,212	23,859	1,826
Current income taxes and employee profit sharing	(524)	(4,015)	(1,715)	(9,654)	(7,105)	(544)
Deferred income taxes and employee profit sharing	(8,125)	(6,163)	(4,966)	4,867	1,623	124
Income before share in net income (loss) of unconsolidated subsidiaries and affiliates	12,877	21,181	19,623	18,425	18,377	1,406
Share in net income (loss) of unconsolidated subsidiaries and affiliates	186	291	142	96	301	23
Income from continuing operations	13,063	21,472	19,765	18,521	18,678	1,429
Discontinued operations, extraordinary items and changes in accounting policies, net	(3,593)	(2,706)	—	—	—	—
Net income before minority interest	9,470	18,766	19,765	18,521	18,678	1,429
Minority interest	(261)	(182)	(128)	(172)	(232)	(18)
Net income	Ps. 9,209	Ps. 18,584	Ps. 19,637	Ps. 18,349	Ps. 18,446	U.S.$ 1,411
Balance Sheet Data:						
Total assets	Ps. 734,329	Ps.834,514	Ps.1,020,921	Ps.1,135,932	Ps.1,093,391	U.S.$ 83,683
Cash and due from Banks	122,048	113,178	115,103	161,462	141,657	10,842
Margin Accounts	11,501	5,899	5,149	11,075	5,872	449
Securities	196,490	260,670	386,582	302,651	332,811	25,472
Total loans	305,246	385,834	462,147	518,065	524,393	40,134
FOBAPROA and IPAB Notes	31,256	—	—	—	—	—
Allowance for loan losses	(13,817)	(16,457)	(16,774)	(25,560)	(26,991)	(2,066)
Deferred taxes, net	9,983	4,899	86	5,161	6,773	518
Other assets	71,622	80,491	68,628	163,078	108,876	8,334
Total funding	476,420	453,389	525,487	629,667	639,699	48,959
Deposits (including local bank bonds)	411,064	410,240	449,437	508,608	543,490	41,596
Local bank bonds outstanding	—	9,118	27,091	46,619	45,024	3,446
Subordinated debt	8,900	8,346	23,448	35,620	37,175	2,845
Interbank loans and loans from other entities	56,456	25,685	25,511	38,820	14,010	1,072
Other liabilities	191,458	305,573	416,531	425,122	355,102	27,178
Total liabilities	667,878	758,962	942,018	1,054,789	994,801	76,137
Total stockholders' equity	Ps. 66,451	Ps. 75,552	Ps. 78,903	Ps. 81,143	Ps. 98,590	U.S.$ 7,546

	For the years ended December 31,					
	2005	2006	2007	2008	2009	2009(1)
	(millions of constant Ps. as of December 31, 2007, except percentages)			(millions of Ps.)		(millions of U.S. $)
Profitability and Efficiency:						
Return on average total assets(2)	1.26%	2.37%	2.12%	1.70%	1.65%	1.65%
Return on average stockholders' equity(2)	16.18%	27.52%	25.62%	23.10%	20.68%	20.68%
Net interest margin(3)	4.69%	5.70%	5.46%	5.70%	4.87%	4.87%
Efficiency ratio(4)	49.86%	41.75%	43.14%	38.97%	39.36%	39.36%
Capitalization:						
Stockholders' equity as a percentage of total assets	9.05%	9.05%	7.73%	7.14%	9.02%	9.02%
Tier 1 Capital as a percentage of risk- weighted assets	13.29%	13.97%	12.25%	10.55%	11.93%	11.93%
Total capital as a percentage of risk- weighted assets	14.62%	15.08%	14.32%	14.14%	14.92%	14.92%
Credit Quality Data:						
Total performing loans	299,923	377,375	451,465	501,645	504,555	38,617
Total non-performing loans	5,323	8,459	10,682	16,420	19,838	1,517
Total loans	305,246	385,834	462,147	518,065	524,393	40,134
Loans graded "C," "D" and "E"(5)	15,134	17,649	17,048	22,161	29,069	2,225
Allowance for loan losses	(13,817)	(16,457)	(16,774)	(25,560)	(26,991)	(2,066)
Loan Recovery and Write-offs:						
Non-performing loans—average balance	5,233	6,891	9,571	13,551	18,129	1,388
Non-performing loans written-off	1,402	2,470	8,129	7,067	17,588	1,346
Recoveries in respect of non-performing loans	(337)	(269)	(406)	(296)	(355)	(27)
Recovered amounts as a percentage of average non-performing loans	6.44%	3.90%	4.24%	2.18%	1.96%	1.95%

(1) Translated at the rate of Ps.13.0659 per U.S.$1.00, the exchange rate published by Banco de México in the Official Gazette on January 4, 2010. See "Exchange Rates and Currency."
(2) Determined on an annualized basis, based on beginning- and end-of-period balances using constant pesos.
(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.
(4) Efficiency ratio is equal to total non-interest expense as a percentage of the aggregate of net interest income and non-interest income.
(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,				
	2005	2006	2007	2008	2009
Credit Quality Ratios:					
Allowance for loan losses as a percentage of total loans	4.53%	4.27%	3.63%	4.93%	5.15%
Allowance for loan losses as a percentage of total non-performing loans	259.59%	194.53%	157.04%	155.66%	136.06%
Allowance for loan losses as a percentage of loans graded "C," "D" and "E"(1)	91.30%	93.24%	98.39%	115.34%	92.85%
Total non-performing loans as a percentage of total loans	1.74%	2.19%	2.31%	3.17%	3.78%
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)	2.86%	2.12%	1.34%	1.80%	1.47%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of stockholders' equity	12.78%	10.58%	7.72%	11.26%	7.71%
Provision for loan losses as a percentage of average total loans	5.06%	4.38%	3.92%	4.32%	5.04%
Charge-offs (net of recoveries) as a percentage of average total loans	0.49%	0.47%	1.17%	2.03%	3.02%
Loans graded "C," "D" and "E" as a percentage of total loans(1)	4.96%	4.57%	3.69%	4.28%	5.54%

(1) 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 and for the years ended December 31, 2007, 2008 and 2009 and should be read in conjunction with our audited financial statements included elsewhere in this offering memorandum. 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

GDP grew by 3.3% in 2007, the lower pace compared to the previous year is mainly attributable to lower external demand. On the other hand, the lower growth of all internal demand components in 2007, influenced by weaker wage mass and lower remittances from the United States, negatively affected private consumption. In 2007, headline inflation grew 3.8% on an annual basis, influenced by international prices of commodities. However, inflation expectations stayed stable slightly above the 3% Banco de México's target.

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 the sharpest decline in its GDP since 1932, 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%.

Even though there are some indicators as to a probable economic recovery in 2010, the consequences of the worldwide financial crisis that commenced in 2008 continues to affect our operating performance, as evidenced by a reduced financial margin due to decreased interest income and increased reserves, primarily based on the impairment of credit card loans. See note 2 to our audited financial statements included elsewhere in this offering memorandum.

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.

On October 1, 2007, the Business Flat Tax Law ("IETU Law") was enacted and provided for a new flat rate business tax, or IETU (*Impuesto Empresarial a Tasa Única*). The IETU Law went into effect on January 1, 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.

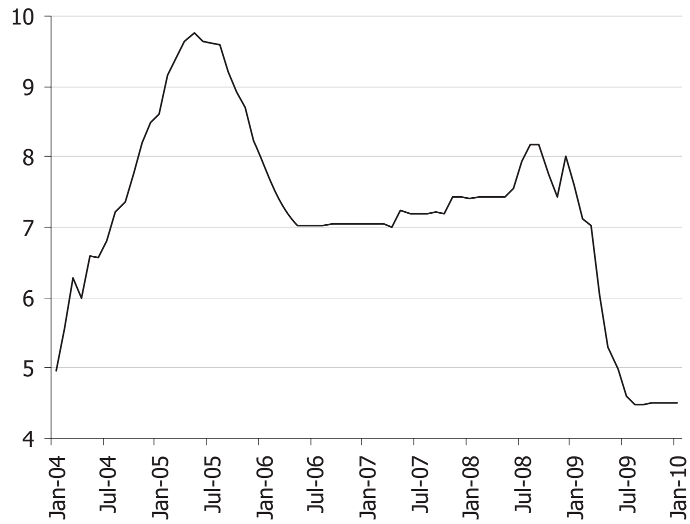
Current income tax is the higher between the regular income tax and the IETU. Based on financial projections, and according to INIF 8 (*Interpretacion a las Normas de Investigacion Financiera 8*, issued by the CINIF, *Consejo Mexicano para la Investigacion y Desarrollo de Normas de Informacion Financiera*) 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 Mexico
(1) Monthly average based on rates established at weekly auctions.

During 2007, excess liquidity in global markets and a strong appetite for risk positively influenced Mexican financial markets. The Cetes rate ranged between 7.0% and 7.4%, with an average rate of 7.2% for the year.

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.

Effects of Changes in the Rate of Inflation

According to Banco de México, the annual inflation rate in Mexico was 3.8 % for 2007, 6.5% for 2008 and 3.6% for 2009.

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, 2008 and 2009 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 and 2009 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 4 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 4 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 collectibility 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 will be recovered from 2010 until 2012.

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. The effect of this adjustment, which was recognized in the annual results under the item "Income deferred taxes" is of Ps.448 million (approximately U.S.$34.3 million).

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, 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	3,228	4,164
Total interest income	Ps.108,285	Ps.99,811
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)	7,509
Total interest expense	46,831	45,561
Net interest income	Ps. 61,454	Ps.54,250

(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.54,250 million for 2009 compared to Ps.61,454 million for 2008, a decrease of Ps.7,204 million, or 11.7%. This decrease was the result of a 7.8% decrease in interest income, which was partially offset by a 2.7% 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 8.9% and the interest rate we paid on average interest-bearing liabilities of 3.7% resulted in a yield spread of 5.2% for 2009, compared to a yield spread of 5.8% for 2008.

Interest income

Interest income was Ps.99,811 million for 2009 compared to Ps.108,285 million for 2008, a decrease of Ps.8,474 million, or 7.8%. 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 67.1% of interest income) for 2009 compared to Ps.70,540 million (or 65.2% 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 22.6% of interest income) for 2009 compared to Ps.26,697 million (or 24.7% 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 1.8% of interest income) for 2009 compared to Ps.1,345 million (or 1.2% 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 4.2% of interest income) for 2009 compared to Ps.6,271 million (or 5.8% of interest income) for 2008, a decrease of Ps.2,072 million or 33.04%. 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.45,561 million for 2009 compared to Ps.46,831 million for 2008, a decrease of Ps.1,270 million, or 2.7%. 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 26.1% 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 43.2% 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	7,228	5,408
ATMs	600	685
Pension fund management	2,127	2,332
Mutual fund management(1)	605	1,304
Insurance(1)	1,015	1,016
Other	1,114	1,667
Total commissions and fees	18,603	18,673
Trading Income:		
Foreign exchange	1,583	1,687
Realized gains (loss) on securities	4,450	2,372
Unrealized gains (loss) on securities	(5,679)	7,293
Dividends received	28	—
Total trading income (loss), net	382	11,352
Total non-interest income	Ps. 18,985	Ps. 30,025

(1) These are services provided through GFBB affiliates.

Non-interest income, including trading income was Ps.30,025 million for 2009 compared to Ps.18,985 million for 2008, an increase of Ps.11,040 million, or 58.2%. 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, which 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.18,673 million for 2009 compared to Ps.18,603 million for 2008, an increase of Ps.70 million, or 0.4%. 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.1,820 million or 25.2%, 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 16.0% 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.5,408 million (or 29.0% of commissions and fees) for 2009 compared to Ps.7,228 million (or 38.9% of commissions and fees) for 2008, a decreased of Ps.1,820 million, or 25.2%. 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 20.5% in the amount of resources managed by the funds, which grew to Ps.258 million in 2009 from Ps.214 million in 2008, an increase of 20.5%.

Commissions and fees represented 62.2% of non-interest income for 2009 compared to 98.0% for 2008.

Gains from trading activities were Ps.11,352 million for 2009 compared to a gain of Ps.382 million for 2008, an increase of Ps.10,970 million. The increase was mainly attributable to an adequate management of interest rate risk and the surpluses of the valuation on securities and hedging derivatives. In 2009, we had gains on securities of Ps.2,372 million, compared to a gain of Ps.4,450 million during the previous year, a decrease of Ps.2,078 million or 46.7%. This gain was offset by an increase in unrealized gains in 2009, which was Ps.7,293 million compared to a loss of Ps.5,678 million in 2008, an increase of Ps.12,971 million or 228.4%. We registered such higher trading income due to better global markets performance and lower risk aversion to emerging markets fixed income securities.

Foreign exchange revenues were Ps.1,687 million for 2009 compared to Ps.1,582 million for 2008, an increase of Ps.105 million or 6.6%. This increase was due to a higher volatility in exchange rates with respect to 2008, which increased our spreads.

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	22,801
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. 33,172

Non-interest expense was Ps.33,172 million for 2009 compared to Ps.31,351 million for 2008, an increase of Ps.1,821 million, or 5.8%, 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.22,801 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.150 million, or 0.7%. 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 13.9% 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.158 million for 2009 compared to an expense of Ps.747 million for 2008, a decrease of Ps.589 million or 78.9%. 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 the affiliates of Afore Bancomer, 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. (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.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.

Year ended December 31, 2008 compared to year ended December 31, 2007

The annual financial information presented in this section for the years ended December 31, 2008 and 2007 has been derived from our audited financial statements and its notes thereto included elsewhere in this offering memorandum. Such annual financial information, unless stated differently, is presented in current 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,	
	2007	**2008**
	(millions of Ps.)	
Interest Income:		
Interest and fees on loans(1)	Ps.58,875	Ps. 70,540
Interest on securities	23,073	26,697
Interest on cash and due from banks	6,413	6,271
Interest on repurchase agreements(2)	1,488	1,345
Interests on margin accounts	251	204
Other	924	3,228
Total interest income	91,024	108,285
Interest Expense:		
Interest on demand deposits	2,445	3,380
Interest on time deposits(3)	10,569	14,244
Interest on banks and other organisms loans	3,463	3,183
Interest on subordinated debentures	1,003	1,457
Interest on repurchase agreements(2)	21,659	25,003
Other	(351)	(436)
Total interest expense	38,788	46,831
Monetary gain/loss	(1,556)	—
Net interest income	Ps.50,680	Ps. 61,454

(1) Interest income includes origination fees on loans of Ps.742 million for 2008 and Ps.346 million for 2007. Includes interest earned on Special Cetes held in connection with funding the UDI Trusts.

(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.61,454 million for 2008 compared to Ps.50,680 million for 2007, an increase of Ps.10,774 million, or 21.3%. The growth in interest income was primarily the result of an increase in the loan portfolio and favorable deposit mix in our funding, as well as an adequate management of prices.

Through December 31, 2007 the Mexican Banking GAAP required us to recognize as part of net interest income the effects of inflation on monetary assets and liabilities that generate interest income or expense. As a result, we recorded a net monetary loss Ps.1,556 million 2007.

In terms of margins in local currency, the difference between the interest rate we charged on average interest-earning assets of 10.7% and the interest rate paid on average interest-bearing liabilities of 4.9% resulted in a yield spread of 5.8% for 2008, which is equal to the yield spread of 5.8% for 2007.

Interest income

Interest income was Ps.108,285 million for 2008 compared to Ps.91,024 million for 2007, an increase of Ps.17,261 million, or 19.0%. This increase was primarily attributable to higher interest rates and an increase in loan volumes, primarily in the private sector. In 2008, the TIIE rate averaged 8.3%, which is greater than the 7.7% average rate recorded during 2007.

Interest and fees on loans was Ps.70,540 million (or 64.7% of interest income) for 2008 compared to Ps.58,875 million (or 65.1% of interest income) for 2007, an increase of Ps.11,665 million, or 19.8%. This increase was primarily the result of a greater contribution of loan revenues, which resulted from a 11.1% increase in the size of our performing loan portfolio (primarily commercial loans, which grew 26.2%).

Interest on repurchase agreements was Ps.1,345 million (or 1.2% of interest income) for 2008 compared to Ps.1,488 million (or 1.6% of interest income) for 2007, a decrease of Ps.143 million, or 9.6%. Interest income on securities purchased under agreements to resell decreased as a result of decreases in transaction volumes.

Interest on cash and due from banks was Ps.6,271 million (or 5.8% of interest income) for 2008 compared to Ps.6,413 million (or 7.0% of interest income) for 2007, a decrease of Ps.142 million or 2.2%. Interest on cash and due from banks decreased as a result of the lower average of volumes which were offset by a growth in the average of interest rates, giving as a result similar levels in both periods of comparison.

Interest expense

Interest expense and our local bank bonds was Ps.46,831 million for 2008 compared to Ps.38,788 million for 2007, an increase of Ps.8,043 million, or 20.7%. This increase was primarily attributable to an increase in volume of banking deposits of 16.5%.

Interest on time deposits and our local bank bonds was Ps.14,244 million (or 30.4% of interest expense) for 2008, compared to Ps.10,569 million (or 27.2% of interest expense) for 2007, an increase of Ps.3,675 million or 34.8%. This increase was primarily the result of an increase in interest rates and volume. In 2008, even with the increasing rates we maintained our funding structure of approximately 64% in demand deposits with respect to the sum of demand and time deposits in both periods and prevented our deposit mix from varying to higher funding costs.

Interest on repurchase agreements was Ps.25,003 million (or 53.4% of interest expense) for 2008 compared to Ps.21,659 million (or 55.8% of interest expense) for 2007, an increase of Ps.3,344 million, or 15.4%. This increase was primarily the result changes in transaction levels, given relative stable interest rates.

Provisions

Provisions for loan losses charged against earnings were Ps.23,994 million for 2008 compared to Ps.12,622 million for 2007, an increase of Ps.11,372 million, or 90.1%. This increase was primarily the result of an increase in the size of our loan portfolio mainly attributable to an increase in middle-banking loans, an increase in the required provisioning levels for consumer loans and the implementation of a methodology issued in August 22, 2008 by the CNBV which modified the percentages of allowances applicable to each kind of loan in accordance with the level of risk. We also maintained additional reserves that reflect internal classification models for mortgage loan net of support as well as consumption (credit card and personal consumption) which consists of maintaining specific percentages of reserves through expected losses criteria. The effect on results of applying our internal classification manual for consumer loans represented additional reserves for Ps.3,776 million. See notes 4 and 13 to our audited financial statements included elsewhere in this offering memorandum.

Additionally to the charge to results by applying our internal model to the consumer loans portfolio, the CNBV approved a provisions for loan losses charged against stockholders' equity, in the account of results of prior years for Ps.1,699 million in 2008. No provisions for loan losses charged against stockholders' equity were made in 2007. 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, 2007	For the years ended December 31, 2008
	(millions of Ps.)	
Commissions and Fees:		
Account management	Ps. 2,902	Ps. 2,944
Cash management and fund transfers	2,989	2,970
Credit card	7,975	7,228
ATMs	578	600
Pension fund management	2,211	2,127
Mutual funds management	534	605
Insurance(1)	961	1,015
Other	988	1,114
Total commissions and fees	19,138	18,603
Trading Income:		
Foreign exchange	1,094	1,583
Realized gains (loss) on securities	(5,034)	4,450
Unrealized gains (loss) on securities	3,844	(5,679)
Dividends received	23	28
Total trading income (loss), net	(73)	382
Total non-interest income	Ps.19,065	Ps.18,985

(1) These are services provided through GFBB subsidiaries.

Non-interest income was Ps.18,985 million for 2008 compared to Ps.19,065 million for 2007, a decrease of Ps.80 million, or 0.4%. This decrease primarily reflected a decrease of 2.8% in commissions and fees, primarily due to lower volumes.

Commissions and fees were Ps.18,603 million for 2008 compared to Ps.19,138 million for 2007, a decrease of Ps.535 million, or 2.8%. This decrease primarily resulted from 9.4% decrease in credit card commissions, which represented 38.9% and 41.7% of commissions and fees for 2008 and 2007, respectively.

Account management fees were Ps.2,944 million (or 15.8% of commissions and fees) for 2008, compared to Ps.2,902 million (or 15.2% of commissions and fees) for 2007, an increase of Ps.42 million or 1.4%, which was primarily attributable to a greater volume and customer base of deposits, which increased 16.5%.

Cash management and fund transfers fees were Ps.2,970 million (or 16.0% of commissions and fees) for 2008, compared to Ps.2,989 million (or 15.6% of commissions and fees) for 2007, a decrease of Ps.19 million, or 0.6%, which was primarily reduction in the use of cash management services by our corporate customers.

Credit card fees were Ps.7,228 million (or 38.9% of commissions and fees) for 2008 compared to Ps.7,975 million (or 41.7% of commissions and fees) for 2007, a decrease of Ps.747 million, or 9.4%. This decrease was mainly attributable to diminished credit card use in the lowest income segment.

Pension fund management fees were Ps.2,127 million (or 11.4% of commissions and fees) for 2008 compared to Ps.2,211 million (or 11.6% of commissions and fees) for 2007, a decrease of Ps.84 million, or 3.8%. This slight decrease reflected a regulatory change in commissions which eliminated the previously charged commissions in the flows and maintained the commissions for the accounts' balance.

Commissions and fees represented 98.0% of non-interest income for 2008 which compared to 100.4% for 2007 represented a lightly decrease of 2.8%.

Trading income was a gain of Ps.382 million for 2008 compared to a loss of Ps.73 million for 2007. The change from a loss to a gain was a result of favorable results in realizing trading securities of Ps.4,450 million for 2008 compared to losses of Ps.5,034 million for 2007. The increase is mainly attributable to the realization of shares sold in connection with the VISA initial public offering, through which Bancomer received Ps.1,685 million.

Foreign exchange revenues were Ps.1,582 million for 2008 compared to Ps.1,094 million for 2007, an increase of Ps.488 million, or 44.6%, which was primarily attributable to high volatility in foreign exchange markets during the second half of 2008, creating favorable market opportunities.

Non-interest expense

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

	For the years ended December 31,	
	2007	2008
	(millions of Ps.)	
Salaries and employee benefits	Ps. 748	Ps. 975
Administrative and operational expenses	22,248	22,951
Rent, depreciation and amortization	3,519	3,592
Taxes other than income taxes	1,603	1,588
Contribution to IPAB	1,971	2,245
Total non-interest expense	Ps.30,089	Ps.31,351

Non-interest expense was Ps.31,351 million for 2008 compared to Ps.30,089 million for 2007, an increase of Ps.1,262 million, or 4.2%, which was primarily the result of higher administrative and operational expenses. Notwithstanding this increase resulted below the 2008 inflation of 6.5%. In addition, our efficiency ratio (expenses to net interest income plus non-interest income) improved from 43.1% as of December 31, 2007 to 39.0% as of December 31, 2008.

Salaries and employee benefits, was Ps.975 million (or 3.1% of non-interest expense) for 2008 compared to Ps.748 million (or 2.5% of non-interest expense) for 2007, an increase of Ps.227 million, or 30.4%. This increase was the result of an increase in salaries and benefits of the Bank's subsidiaries, mainly Afore Bancomer, offset by a decrease in reserves for pension funds for retired employees, resulting from an optional change of most of our employees from a fixed-benefit to a fixed-contribution retirement plan.

Administrative and operational expenses, the largest component of non-interest expense were Ps.22,951 million (or 73.2% of non-interest expense) for 2008 compared to Ps.22,248 million (or 73.9% of non-interest expense) for 2007, an increase of Ps.703 million, or 3.2%. This increase was to a great extent due to larger business volumes mainly registered in variable expenditures related to the retail banking, including costs related to part-time and temporary personnel hired through an outsourcing agency.

Taxes other than income taxes were Ps.1,588 million for 2008 compared to Ps.1,603 million for 2007, a decrease of Ps.15 million, or 0.9%. This slight decrease reflects a similar proportion in 2008 compared to 2007 of value-added taxes that are creditable against such value-added taxes actually paid by us.

Rent, depreciation and amortization expenses were Ps.3,592 million (or 11.5% of non-interest expense) for 2008 compared to Ps.3,519 million (or 11.7% of non-interest expense) for 2007, an increase of Ps.73 million, or 2.1%. The increase reflects similar conditions of both comparison periods in terms of number of real estate rented and the U.S. currency rated payments, corresponding to the stability of the parity peso/U.S. dollar.

Contributions to IPAB were Ps.2.245 million for 2008 compared to Ps.1,971 million for 2007, an increase of Ps.274 million, or 13.90%. This increase was primarily the result of an increase in the deposits that are subject to deposit insurance.

Current and deferred income tax and employee profit sharing

Current and deferred income tax and employee profit sharing was an expense of Ps.4,787 million for 2008 compared to Ps.6,681 million for 2007, a decrease of Ps.1,894 million, or 28.4%, with an effective tax rate of 20.6% in 2008 compared to 25.4% in 2007, a decrease of 4.8%, primarily as a result of a decrease in income before taxes.

Current income taxes were Ps.9,654 million for 2008 compared to Ps.1,715 million for 2007, an increase of Ps.7,939 million or 462.9%.

We had a deferred income tax benefit of Ps.4,867 million for 2008 compared to an expense of Ps.4,966 million for 2007, an increase of Ps.9,833 million, or 198.0%. 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 fixed assets and 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.96 million for 2008 compared to a gain of Ps.142 million for 2007, a decrease of Ps.46 million. The gain recorded in 2008 was primarily attributable to the gain of I+D de Mexico, S.A. de C.V. for Ps.69.9 million and Ps.31.9 million of Trans Union de Mexico, S.A. de C.V.

Net income

Net income was Ps.18,349 million for 2008 compared to Ps.19,637 million for 2007, a decrease of Ps.1,288 million, or 6.6%, as a result of the net interest income growth, offset by larger provisions for loans losses.

Financial Position

The following discussion compares our consolidated financial position as of December 31, 2007, 2008 and 2009. 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, 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 3.8%. 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 11.3% compared to Ps.1,020,921 million as of December 31, 2007. The increase was primarily attributable to a 11.1% increase in our performing loan portfolio, mainly related to an increase in commercial lending.

As of December 31, 2007, we had total assets of Ps.1,020,921 million, an increase of 22.3% compared to Ps.834,514 million as of December 31, 2006. The increase was primarily attributable to a 19.6% increase in our total performing loan portfolio, primarily related to an increase in commercial lending.

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.451,465 million as of December 31, 2007 an increase of 11.1%. 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.

We had total performing loans of Ps.451,465 million as of December 31, 2007 compared to Ps.377,375 million as of December 31, 2006, an increase of Ps.74,090 million, or 19.6%. This growth was primarily the result of an increase of 24.8% in the commercial loan portfolio. Performing commercial loans represented 46.6% of total performing loans as of December 31, 2007, performing consumer loans represented 27.3% of total performing loans and performing mortgage loans represented 26.2% of total performing loans.

Total non-performing 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.

We had total non-performing loans of Ps.10,682 million as of December 31, 2007 compared to Ps.8,459 million as of December 31, 2006, an increase of Ps.2,223 million. This increase was a result of a higher delinquency rate in our loan portfolio, mainly related to credit card loans. As of December 31, 2007, non-performing consumer loans represented 1.4% of total loans, non-performing mortgage loans represented 0.7% of total loans and non-performing commercial loans represented 0.2% of total loans.

Deferred taxes, net

Our net deferred taxes were Ps.6,773 million for 2009 compared to Ps.5,161 million for 2008, an increase of 31.2%. This increase was primarily attributable to the origination of deferred taxes, which mainly came from the allowances for loan losses.

Liabilities

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, as explained below.

We had total liabilities of Ps.1,054,789 million as of December 31, 2008 compared to Ps.942,018 million as of December 31, 2007, an increase of Ps.112,771 million. This increase was primarily attributable to a 16.5% increase in the volume of deposits.

Deposits

As of December 31, 2009 we had total deposits (including local bank bonds) 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 12.4% increase in demand deposits, and a 14.6% increase in time deposits.

We had total deposits of Ps.476,528 million as of December 31, 2007 compared to Ps.419,358 million as of December 31, 2006, an increase of Ps.57,170 million, or 13.6%. This increase was primarily attributable to an increase of Ps.31,515 million, or 12.2%, in demand deposits and an increase of Ps.7,682 million, or 5.0%, in time deposits.

Local bank bonds

We had total bank bonds issued by Bancomer of Ps.45,024 million as of December 31, 2009 compared to Ps.46,619 million as of December 31, 2008, a decrease of Ps.1,595 million, or 3.4%.

Interbank loans and loans from other entities

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 of short-term loans. Interbank loans and loans from other entities represented 3.7% of total liabilities as of December 31, 2008.

We had interbank loans and loans from other entities of Ps.25,511 million as of December 31, 2007 compared to Ps.25,685 million as of December 31, 2006, a decrease of Ps.174 million, or 0.7%. Interbank loans and loans from other entities represented 2.7% of total liabilities as of December 31, 2007.

Subordinated debt

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. On July 22, 2005, we issued the 2015 Debentures at 5.3795% fixed rate, maturing on July 22, 2015. 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

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.

Our stockholders' equity was Ps.78,903 million as of December 31, 2007 compared to Ps.75,552 million as of December 31, 2006, an increase of Ps.3,351 million, or 4.4%. The increase was attributable to a Ps.3,059 million increase in the results from previous years.

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. *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, 2009, we had Ps.588,514 million (59.2% 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. As of the date of this offering memorandum, we issued approximately Ps.35,300 million of notes under the program, of which approximately Ps.26,750 million was denominated in pesos and approximately Ps.8,550 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 2010 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, 2009, our foreign currency-denominated assets, including derivative transactions, totaled U.S.$39.3 billion (Ps.513,594 million). At that date, our foreign currency-denominated liabilities, including derivative transactions, totaled to U.S.$39.4 billion (Ps.514,574 million), representing 51.7% 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, 2009, 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.$13.0 billion (Ps.169,871 million). As of such date, our maturity-adjusted net foreign currency-denominated liabilities were U.S.$2.6 billion (Ps.34,293 million). For a discussion of the components of Tier 1 and Tier 2 Capital, see "Supervision and Regulation."

For the years ended December 31, 2007, 2008, and 2009 we were in compliance with all regulatory requirements relating to the ratio of dollar-denominated liabilities to total liabilities.

Capital Expenditures

In the past two years, capital expenditures have primarily consisted of technology and systems, which have consistently increased its weight with respect to the total investment in capital expenditures for each year from 36% in 2007, 52% in 2008 and 66% in 2009. During 2009, we made investments in capital expenditures for an aggregate amount of U.S.$181 million, which primarily consisted of technology and systems, new ATMs, maintenance of corporate buildings and branches and security equipment. These expenditures were funded with cash generated from our operations and other sources of liquidity. We expect to maintain capital expenditures for each of 2010 and 2011 consistent with the types of expenditures in 2009, which are expected to be between U.S.$180 and U.S.$185 million for each year (net of 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. See "Offering Memorandum Summary—Recent Developments" and "The Bank—Properties."

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 that qualifies to be computed as part of our total net capital, such as the Notes, 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 that qualified as our total capital. As of December 31, 2009, our Capital Ratio was 14.92%. The tables below present our risk-weighted assets and Capital Ratios as of December 31, 2008 and 2009, determined, as required by regulations, on an unconsolidated basis.

	As of December 31,	
	2008	2009
	(millions of Ps.)	
Tier 1	Ps. 81,722	Ps.100,268
Tier 2	27,728	25,074
Total capital	Ps.109,450	Ps.125,342
Risk-weighted assets:		
Credit risk	521,403	507,711
Market risk	228,347	269,344
Operational risk	24,537	63,081
Total risk weighted assets	774,287	840,136
Capital ratios (credit, market and operational risk)(1):		
Tier 1 Capital to risk-weighted assets	10.55%	11.93%
Tier 2 Capital to risk-weighted assets	3.58%	2.98%
Total capital to risk-weighted assets	14.14%	14.92%

(1) The difference between the capital ratios presented in this table and the capital ratios presented in note 2 to the audited 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.

After giving effect to the completion of this offering, and the application of the proceeds of the Notes, we expect that our Tier 1 Capital will increase by Ps.14 million and our Tier 2 Capital will increase by Ps.13,051 million.

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 29 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.198,764 million as of December 31, 2009 and Ps.220,101 million as of December 31, 2008.

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 2005, 2006 and 2007 in the following tables is presented in constant pesos as of December 31, 2007, 2008 and 2009 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, 2009 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,								
	2007			2008			2009		
	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. 67,955	Ps. 5,053	7.44%	Ps. 66,940	Ps. 5,395	8.06%	Ps. 67,573	Ps. 3,850	5.70%
Foreign currency	27,423	1,381	5.04%	33,537	716	2.13%	65,348	212	0.32%
Subtotal	95,378	6,434	6.75%	100,477	6,111	6.08%	132,921	4,062	3.06%
Government securities:									
Pesos	244,572	17,942	7.34%	283,330	22,768	8.04%	300,551	17,949	5.97%
UDIs	11,898	809	6.80%	4,207	253	6.01%	1,984	110	5.54%
Foreign currency	16,094	981	6.10%	10,015	370	3.69%	15,336	552	3.60%
Subtotal	272,564	19,732	7.24%	297,552	23,391	7.86%	317,871	18,611	5.85%
Investment in other fixed income securities:									
Pesos	4,339	319	7.35%	7,854	606	7.72%	15,287	808	5.29%
UDIs	794	52	6.55%	1,296	86	6.64%	2,101	107	5.09%
Foreign currency	601	37	6.16%	220	14	6.36%	79	3	3.80%
Subtotal	5,734	408	7.12%	9,370	706	7.53%	17,467	918	5.26%
Loans:(1)									
Pesos	344,894	58,029	16.83%	411,183	69,378	16.87%	438,591	65,678	14.97%
UDIs	39,715	3,523	8.87%	35,121	3,085	8.78%	30,910	2,826	9.14%
Foreign currency	38,054	2,513	6.60%	48,094	2,843	5.91%	43,873	1,787	4.07%
FOBAPROA and IPAB Notes (pesos)	—	—	0.00%	—	—	0.00%	—	—	0.00%
Subtotal	422,663	64,065	15.16%	494,398	75,306	15.23%	513,374	70,291	13.69%
Debtors from repurchase agreements:									
Pesos	23,396	1,487	6.36%	17,806	1,345	7.55%	34,424	1,832	5.32%
Subtotal	23,396	1,487	6.36%	17,806	1,345	7.55%	34,424	1,832	5.32%
Other interest-earning assets:									
Pesos	6,272	418	6.66%	6,562	437	6.66%	6,773	449	6.63%
Foreign currency	—	—	0.00%	2	—	0.00%	3	—	0.00%
Subtotal	6,272	418	6.66%	6,564	437	6.66%	6,776	449	6.63%
Total interest-earning assets:									
Pesos	691,428	83,248	12.04%	793,675	99,929	12.59%	863,199	90,566	10.49%
UDIs	52,407	4,384	8.37%	40,624	3,424	8.43%	34,995	3,043	8.70%
Foreign currency	82,172	4,912	5.98%	91,868	3,943	4.29%	124,639	2,554	2.05%
Subtotal	826,007	92,544	11.20%	926,167	107,296	11.58%	1,022,833	96,163	9.40%

(1) Interest income includes fees on loans of Ps.3,814 million in 2007, Ps.3,277 million in 2008, Ps.2,485 million in 2009, which have been included in interest income. Fees on loans include origination fees and credit card annual fees.

	For the years ended December 31,								
	2007			2008			2009		
	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	1,516			2,522			5,288		
Foreign currency	852			877			902		
Subtotal	2,368			3,399			6,190		
Cash due from banks:									
Pesos	14,079			19,602			27,250		
Foreign currency	1,847			3,689			6,343		
Subtotal	15,926			23,291			33,593		
Allowance for loan losses:									
Pesos (includes UDIs)	(2,037)			(3,502)			(8,876)		
Foreign currency	(14,958)			(15,737)			(15,398)		
FOBAPROA and IPAB Notes (Pesos)	(901)			(662)			(1,262)		
Subtotal	(17,896)			(19,901)			(25,536)		
Premises and equipment:									
Pesos	14,733			15,502			17,328		
Foreign currency	153			136			97		
Subtotal	14,886			15,638			17,425		
Other non interest-earning assets:									
Pesos	37,855			16,830			20,595		
UDIs	274			365			2,985		
Foreign currency	19,047			14,369			7,868		
Subtotal	57,176			31,564			31,448		
Total assets:									
Pesos	757,574	83,248	10.99%	844,629	99,929	11.83%	924,784	90,566	9.79%
UDIs	37,723	4,384	11.62%	25,252	3,424	13.56%	22,582	3,043	13.48%
Foreign currency	103,170	4,912	4.76%	110,277	3,943	3.58%	138,587	2,554	1.84%
Total	Ps. 898,467	Ps. 92,544	10.30%	Ps. 980,158	Ps. 107,296	10.95%	Ps. 1,085,953	Ps. 96,163	8.86%

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,								
	2007			2008			2009		
	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. 81,453	Ps. 1,298	1.59%	Ps. 99,913	Ps. 2,609	2.61%	Ps. 112,179	Ps. 2,423	2.16%
Foreign currency	31,302	776	2.48%	33,979	450	1.32%	42,958	59	0.14%
Subtotal	112,755	2,074	1.84%	133,892	3,059	2.28%	155,137	2,482	1.60%
Saving deposits:									
Pesos	75,716	659	0.87%	80,294	751	0.94%	90,449	638	0.71%
Foreign currency	115	1	0.87%	420	2	0.48%	608	4	0.66%
Subtotal	75,831	660	0.87%	80,714	753	0.93%	91,057	642	0.71%
Time deposits:									
Pesos	160,639	8,924	5.56%	194,830	12,234	6.28%	216,919	10,585	4.88%
UDIs	7,737	339	4.38%	9,064	398	4.39%	9,557	419	4.38%
Foreign currency	8,460	372	4.40%	8,378	158	1.89%	8,847	20	0.23%
Subtotal	176,836	9,635	5.45%	212,272	12,790	6.03%	235,323	11,024	4.68%
Short-term borrowings:									
Pesos	32,896	2,420	7.36%	29,237	2,336	7.99%	17,573	1,009	5.74%
Foreign currency	5,527	323	5.84%	3,439	134	3.90%	5,592	35	0.63%
Subtotal	38,423	2,743	7.14%	32,676	2,470	7.56%	23,165	1,044	4.51%
Long-term debt:									
Pesos	6,431	497	7.73%	6,901	609	8.82%	7,633	534	7.00%
Foreign currency	5,222	256	4.90%	3,282	141	4.30%	1,985	67	3.38%
Subtotal	11,653	753	6.46%	10,183	750	7.37%	9,618	601	6.25%
Subordinated Notes:									
Pesos	2,534	206	8.13%	3,876	351	9.06%	10,990	770	7.01%
Foreign currency	14,885	798	5.36%	21,041	1,106	5.26%	24,910	1,315	5.28%
Subtotal	17,419	1,004	5.76%	24,917	1,457	5.85%	35,900	2,085	5.81%
Creditors from repurchase agreements:									
Pesos	257,864	18,668	7.24%	290,193	22,741	7.84%	331,247	17,075	5.15%
Subtotal	257,864	18,668	7.24%	290,193	22,741	7.84%	331,247	17,075	5.15%
Total interest-bearing liabilities:									
Pesos	617,533	32,672	5.29%	705,244	41,631	5.90%	786,990	33,034	4.20%
UDIs	7,737	339	4.38%	9,064	398	4.39%	9,557	419	4.38%
Foreign currency	65,511	2,526	3.86%	70,539	1,991	2.82%	84,900	1,500	1.77%
Subtotal	690,781	35,537	5.14%	784,847	44,020	5.61%	881,447	34,953	3.97%
Non interest-bearing liabilities:									
Pesos	69,797			61,752			45,630		
UDIs	23,281			13,530			13,138		
Foreign currency	37,379			39,413			53,151		
Subtotal	130,457			114,695			111,919		
Stockholders' equity:									
Pesos	76,519			79,895			91,558		
Foreign currency	710			721			1,029		
Subtotal	77,229			80,616			92,587		
Total liabilities and stockholders' equity:									
Pesos	763,849	32,672	4.28%	846,891	41,631	4.92%	924,178	33,034	3.57%
UDIs	31,018	339	1.09%	22,594	398	1.76%	22,695	419	1.85%
Foreign currency	103,600	2,526	2.44%	110,673	1,991	1.80%	139,080	1,500	1.08%
Total	Ps. 898,467	Ps. 35,537	3.96%	Ps. 980,158	Ps. 44,020	4.49%	Ps. 1,085,953	Ps. 34,953	3.22%

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 2009 compared to 2008 and 2007. 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

	2008/2007			2009/2008		
	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. (82)	Ps. 424	Ps. 342	Ps. 36	Ps. (1,581)	Ps. (1,545)
Foreign currency	131	(796)	(665)	103	(607)	(504)
Subtotal	49	(372)	(323)	139	(2,188)	(2,049)
Government securities:						
Pesos	3,115	1,711	4,826	1,028	(5,847)	(4,819)
UDIs	(463)	(93)	(556)	(123)	(20)	(143)
Foreign currency	(225)	(386)	(611)	192	(10)	182
Subtotal	2,427	1,232	3,659	1,097	(5,877)	(4,780)
Fixed income securities:						
Pesos	271	16	287	393	(191)	202
UDIs	33	1	34	41	(20)	21
Foreign currency	(24)	1	(23)	(5)	(6)	(11)
Subtotal	280	18	298	429	(217)	212
Loans:(1)						
Pesos	11,185	164	11,349	4,104	(7,804)	(3,700)
UDIs	(404)	(34)	(438)	(385)	126	(259)
Foreign currency	593	(263)	330	(172)	(884)	(1,056)
FOBAPROA and IPAB Notes:	—	—	—	—	—	—
Subtotal	11,374	(133)	11,241	3,547	(8,562)	(5,015)
Debtors from repurchase agreements:						
Pesos	(422)	280	(142)	884	(397)	487
Subtotal	(422)	280	(142)	884	(397)	487
Other interest—earning assets:						
Pesos	19	—	19	14	(2)	12
Subtotal	19	—	19	14	(2)	12
Total interest-earning assets:						
Pesos	14,086	2,595	16,681	6,459	(15,822)	(9,363)
UDIs	(834)	(126)	(960)	(467)	86	(381)
Foreign currency	475	(1,444)	(969)	118	(1,507)	(1,389)
Total	Ps.13,727	Ps. 1,025	Ps.14,752	Ps.6,110	Ps.(17,243)	Ps.(11,133)

(1) Interest income includes fees on loans of Ps.2,485 million in 2009, Ps.3,277 million in 2008, Ps.3,814 million in 2007, which have been included in interest income. Fees on loans include origination fees and credit card annual fees.

Interest-bearing liabilities

	2008/2007			2009/2008		
	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. 482	Ps. 829	Ps. 1,311	Ps. 265	Ps. (451)	Ps. (186)
Foreign currency	35	(361)	(326)	12	(403)	(391)
Subtotal	517	468	985	277	(854)	(577)
Saving deposits:						
Pesos	43	49	92	72	(185)	(113)
Foreign currency	1	—	1	1	1	2
Subtotal	44	49	93	73	(184)	(111)
Time deposits:						
Pesos	2,147	1,163	3,310	1,078	(2,727)	(1,649)
UDIs	58	1	59	22	(1)	21
Foreign currency	(2)	(212)	(214)	1	(139)	(138)
Subtotal	2,203	952	3,155	1,101	(2,867)	(1,766)
Short-term borrowings:						
Pesos	(292)	208	(84)	(670)	(657)	(1,327)
Foreign currency	(81)	(108)	(189)	13	(112)	(99)
Subtotal	(373)	100	(273)	(657)	(769)	(1,426)
Long-term debt:						
Pesos	41	71	112	51	(126)	(75)
Foreign currency	(83)	(32)	(115)	(44)	(30)	(74)
Subtotal	(42)	39	(3)	7	(156)	(149)
Subordinated Notes:						
Pesos	122	23	145	498	(79)	419
Foreign currency	324	(16)	308	204	5	209
Subtotal	446	7	453	702	(74)	628
Creditors from repurchase agreements:						
Pesos	2,533	1,540	4,073	2,116	(7,782)	(5,666)
Subtotal	2,533	1,540	4,073	2,116	(7,782)	(5,666)
Total interest-bearing liabilities:						
Pesos	5,076	3,883	8,959	3,410	(12,007)	(8,597)
UDIs	58	1	59	22	(1)	21
Foreign currency	194	(729)	(535)	187	(678)	(491)
Total	5,328	3,155	8,483	3,619	(12,686)	(9,067)
Total net change:						
Pesos	9,010	(1,288)	7,722	3,049	(3,815)	(766)
UDIs	(892)	(127)	(1,019)	(489)	87	(402)
Foreign currency	281	(715)	(434)	(69)	(829)	(898)
Total	Ps.8,399	Ps.(2,130)	Ps. 6,269	Ps.2,491	Ps. (4,557)	Ps.(2,066)

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,		
	2007	2008	2009
	(millions of pesos, except percentages)		
Total average earning assets:			
Pesos	Ps. 691,428	Ps. 793,675	Ps. 863,199
UDIs	52,407	40,624	34,995
Foreign Currency	82,172	91,868	124,639
Total	826,007	926,167	1,022,833
Historical not including loan fees:			
Net interest income:			
Pesos	46,802	55,021	55,054
UDIs	4,035	3,023	2,618
Foreign Currency	2,356	1,951	1,053
Total	53,193	59,995	58,725
Gross yield:(1)			
Pesos	11.49%	12.18%	10.20%
UDIs	8.35%	8.42%	8.68%
Foreign Currency	5.94%	4.29%	2.05%
Weighted-average rate	10.74%	11.58%	9.40%
Net yield:(2)			
Pesos	6.77%	6.93%	6.38%
UDIs	7.70%	7.44%	7.48%
Foreign Currency	2.87%	2.12%	0.84%
Weighted-average rate	6.44%	6.48%	5.74%
Yield spread:(3)			
Pesos	6.20%	6.27%	6.01%
UDIs	3.96%	4.03%	4.29%
Foreign Currency	2.09%	1.47%	0.28%
Weighted-average rate	5.60%	5.98%	5.44%
Historical including loan fees:			
Net interest income:			
Pesos	Ps. 50,576	Ps. 58,298	Ps. 57,532
UDIs	4,045	3,026	2,624
Foreign Currency	2,386	1,952	1,054
Total	57,007	63,276	61,210
Gross yield:(1)			
Pesos	12.04%	12.59%	10.49%
UDIs	8.37%	8.43%	8.70%
Foreign Currency	5.98%	4.29%	2.05%
Weighted-average rate	11.20%	11.58%	9.40%
Net yield:(2)			
Pesos	7.31%	7.35%	6.66%
UDIs	7.72%	7.45%	7.50%
Foreign Currency	2.90%	2.12%	0.85%
Weighted-average rate	6.90%	6.83%	5.98%
Yield spread:(3)			
Pesos	6.75%	6.69%	6.29%
UDIs	3.98%	4.04%	4.31%
Foreign Currency	2.12%	1.47%	0.28%
Weighted-average rate	6.06%	5.98%	5.44%

(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,		
	2007	2008	2009
	(millions of pesos, except percentages)		
Net income	Ps. 19,637	Ps. 18,349	Ps. 18,446
Average total assets	898,467	980,158	1,085,953
Average stockholders' equity	77,229	80,616	92,587
Return on average assets	2.19%	1.87%	1.70%
Return on average equity	25.43%	22.76%	19.92%
Average stockholders' equity as a percentage of average total assets	8.60%	8.22%	8.53%

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 our Grand Cayman or 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, 2009. 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, 2009					
	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. 157,290	Ps. 10,205	Ps. 1,564	Ps. 159	Ps. —	Ps. 169,218
Consumer loans, mortgage loans and lease receivables	70,691	8,018	10,615	16,869	148,092	254,285
Fixed-rate commercial loans	36,112	9,237	4,780	6,253	44,508	100,890
Total loans	264,093	27,460	16,959	23,281	192,600	524,393
Securities and derivatives	196,786	64,256	23,362	(13,165)	131,445	402,684
Creditors from repurchase agreements	(236,883)	(714)	—	(12)	—	(237,609)
Debtors from repurchase agreements	652	—	—	—	—	652
Total interest-earning assets	224,648	91,002	40,321	10,104	324,045	690,120
Equity securities	—	—	—	—	2,263	2,263
Cash, property and other non-interest earning assets	—	—	—	—	117,883	117,883
Less: Allowance for loan losses	—	—	—	—	(26,991)	(26,991)
Total assets	Ps. 224,648	Ps. 91,002	Ps. 40,321	Ps. 10,104	Ps. 417,200	Ps. 783,275
Liabilities and stockholders' equity:						
Notes sold through intermediaries	Ps. 26,490	Ps. 1,017	Ps. —	Ps. 47	Ps. 41	Ps. 27,595
Notes sold through branches	151,904	8,588	249	30	14	160,785
Demand deposits	189,020	—	—	—	166,090	355,110
Total deposits	367,414	9,605	249	77	166,145	543,490
Short-term debt	18,312	380	1	—	—	18,693
Long-term debt	32,575	3,598	77	349	13,933	50,532
Subordinated debentures	12,323	—	—	7,072	17,780	37,175
Other liabilities	—	—	—	—	34,795	34,795
Stockholders' equity	—	—	—	—	98,590	98,590
Total liabilities and stockholders' equity	Ps. 430,624	Ps. 13,583	Ps. 327	Ps. 7,498	Ps. 331,243	Ps. 783,275
Interest rate sensitivity gap	(205,976)	77,419	39,994	2,606	85,957	—
Cumulative interest rate sensitivity gap	(205,976)	(128,557)	(88,563)	(85,957)	—	—
Cumulative gap as percentage of total interest-earning assets	(29.85)%	(18.63)%	(12.83)%	(12.46)%	0.00%	0.00%

As of December 31, 2009, interest-earning assets totaled Ps.690,120 million. Of these assets, 32.6% repriced periodically every thirty days or less; such assets included 71.6% of commercial loans, 27.8% of consumer mortgage loans and 48.9% of investment securities and derivatives (excluding equity investments) and 99.7% of credits from repurchase agreements. The interest rates for 3.7% 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.417,200 million as of December 31, 2009, which represented 53.3% of total assets.

Of our liabilities as of December 31, 2009, 79.4% consisted of deposits, totaling Ps.588,514 million, of which 67.6% reprice every 30 days or less, and 1.8% every 31 to 180 days. The remaining 20.6% of our liabilities amounting to Ps.141,195 million consisted of Ps.18,693 million of short-term borrowings, Ps.87,707 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.34,795 million of other liabilities. Of such Ps.141,195 million of liabilities, 44.8% reprice every 30 days or less, 2.9% every 31 to 180 days, 5.3% every 181-365 days, and the remaining 47.1% 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, 2009, our foreign currency-denominated assets, including derivative transactions, totaled U.S.$39.3 billion (Ps.513,594 million). At that date, our foreign currency-denominated liabilities, including derivative transactions, totaled to U.S.$39.4 billion (Ps.514,574 million), representing 51.7% 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, 2009, we held securities in the amount of Ps.334,861 million representing 30.6% 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,		
	2007	2008	2009
	(millions of pesos)		
Peso-denominated:			
Mexican government securities:			
Cetes (federal treasury securities)	Ps. 47,706	Ps. 11,966	Ps. 24,771
Special Cetes (federal treasury securities)	11,844	12,700	13,436
Bondes (federal government development bonds)	119,809	90,475	79,802
Bonos IPAB (bonds issued by IPAB)	120,053	77,600	63,771
Bono Tasa Fija (fixed-rate bond)	55,725	81,760	101,607
BREMS (monetary regulation bonds)	13	—	—
Total Mexican government securities	356,150	274,501	283,387
Non government securities:			
Local bank bonds and certificates	3,109	9,723	10,196
Commercial paper	314	128	184
Other fixed-income securities	—	—	—
Total non-government securities	3,423	9,851	10,380
Equity securities:			
Listed	406	1,891	12,866
Not listed	—	—	—
Investment in subsidiaries	1,223	1,208	1,490
Investment in affiliated companies	578	622	724
Certification for Trust Invex Securitization	103	1,316	164
Total equity securities	2,310	5,037	15,244
Total peso-denominated	360,883	289,389	309,011
UDI-denominated:			
Mexican government securities:			
Udibonos (Federal government development bonds)	13,633	1,072	1,461
CBIC (Interchangeable stock market certificates)	43	4	1
Pics (Indemnity highways program)	—	—	—
Total Mexican government securities	13,676	1,076	1,462
Non-government securities:			
Local bank bonds and certificates	503	2,274	1,867
Total non-government securities	503	2,274	1,867
Total UDI-denominated	14,179	3,350	3,329
Foreign currency-denominated:			
Mexican government securities issued abroad	6,520	1,954	11,155
US Treasury securities	6,697	8,527	7,972
Government securities from other countries	—	—	—
Euronotes	—	—	—
Investment trusts	—	—	—
Commercial paper	—	—	—
Other fixed-income securities	138	125	38
Equity securities:			
Listed	583	2,085	3,307
Not listed	—	—	—
Investment in affiliated companies	4	5	5
Investment in subsidiaries	15	61	44
Total foreign currency-denominated	13,957	12,757	22,521
Total investment securities	Ps.389,019	Ps.305,496	Ps.334,861

Securities—maturities and average yields

The following table analyzes by currency, as of December 31, 2009, 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. 8,224	4.55%	Ps. 9,894	3.77%	Ps. 6,652	4.81%	Ps. —	0.00%	Ps. —	0.00%	Ps. —	0.00%	Ps. —	0.00%	Ps. —	0.00%	Ps. 24,770
Special Cetes (federal treasury securities)	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	7	4.51%	—	0.00%	13,429	4.50%	13,436
Bondes (federal government development bonds)	521	4.44%	2,546	4.56%	42,331	4.61%	3,400	4.59%	10,047	4.61%	2,852	4.58%	17,768	4.58%	—	0.00%	79,465
BPAs (floating rate bonus bond issued by IPAD)	607	4.50%	431	4.51%	2,181	4.51%	5,820	4.55%	26,956	4.64%	10,660	4.67%	12,735	4.92%	3,049	4.89%	62,439
Bono Tasa Fija (fixed-rate bond)	—	0.00%	—	0.00%	—	0.00%	2,217	8.52%	19,427	7.50%	25,267	9.00%	24,971	8.64%	29,355	7.81%	101,237
BREMS (monetary regulation bonds)	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—
Total Mexican government securities	9,352	4.54%	12,871	3.95%	51,164	4.63%	11,437	5.33%	56,430	5.62%	38,786	7.48%	55,474	6.49%	45,833	6.65%	281,347
Non government securities:																	
Local bank bonds and certificates	34	5.74%	—	0.00%	35	6.35%	4,629	7.41%	477	7.15%	110	5.94%	—	0.00%	4,927	9.49%	10,212
Commercial paper	184	4.97%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	184
Total peso-denominated	9,570	4.56%	12,871	3.95%	51,199	4.63%	16,066	5.93%	56,907	5.63%	38,896	7.48%	55,474	6.49%	50,760	6.92%	291,743
UDI-denominated:																	
Udibonos (federal government development bonds)	—	0.00%	—	0.00%	49	3.25%	13	6.50%	10	3.25%	18	5.50%	7	3.50%	1,365	4.22%	1,462
Promissory notes issued for highway program	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	1	5.63%	1
CBICs	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—
Local bank bonds and certificates	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	1,867	4.94%	1,867
Total UDI-denominated	—	0.00%	—	0.00%	49	3.25%	13	6.50%	10	3.25%	18	5.50%	7	3.50%	3,233	4.64%	3,330
Foreign currency-denominated:																	
Mexican Government securities issued abroad	40	8.68%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	3,011	6.38%	6145	5.88%	1,498	5.79%	10,694
U.S. Treasury bills	7,925	1.70%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	7,925
Commercial paper	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—
Other fixed-income securities	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	42	6.63%	42
Total Foreign currency-denominated	7,965	1.74%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	3,011	6.38%	6,145	5.88%	1,540	5.81%	18,661
Total securities (excluding equity securities	Ps.17,535	3.28%	Ps.12,871	3.95%	Ps.51,248	4.63%	Ps.16,079	5.93%	Ps.56,917	5.63%	Ps.41,925	7.40%	Ps.61,626	6.42%	Ps.55,533	6.76%	Ps.313,734

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. The amounts corresponding to FOBAPROA and IPAB Notes include amounts net of loan recoveries and reserves. See "Presentation of Certain Financial and Other Information."

As of December 31, 2009, our loan portfolio amounted to Ps.529,725 million, an increase of 2.6% compared to December 31, 2008. This increase reflected a 12.1% increase in commercial and corporate loans due to greater activity in small and medium sized enterprises and microbusinesses and a 6.3% increase in mortgage loans, both of which offset a 20.9% decrease 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,				
	2005	2006	2007	2008	2009
	(millions of pesos)				
Performing loans: (1)					
Commercial and corporate loans: (2)					
Secured or guaranteed by:					
Real estate(3)	Ps. 5,131	Ps. 16,979	Ps. 21,276	Ps. 25,410	Ps. 24,075
Fixed assets	3,066	3,172	3,222	4,755	3,723
Inventories	2,221	2,038	2,195	2,847	2,152
Other(4)	4,385	3,243	1,836	1,907	1,493
Subtotal	14,803	25,432	28,529	34,919	31,443
Unsecured:					
Term loans	15,228	17,950	26,876	31,773	21,490
Revolving credits	112,762	119,438	144,805	163,186	203,941
Original issue discounts	2,832	3,349	4,379	8,350	10,256
Subtotal	130,822	140,737	176,060	203,309	236,687
Total commercial and corporate loans	145,625	166,169	204,589	238,228	267,130
Consumer loans:					
Residential mortgage	71,383	96,999	117,310	126,726	134,737
Credit card	51,271	71,663	86,386	85,383	64,430
Other consumer credits	28,138	39,428	45,036	45,174	38,808
Total consumer loans	150,792	208,090	248,732	257,283	237,975
Leasing	2,250	4,964	5,170	4,901	5,378
Total performing loans	298,667	379,223	458,491	500,412	510,483
Total non-performing loans	5,090	8,055	10,195	15,720	19,242
Total Loans	303,757	387,278	468,686	516,132	529,725
FOBAPROA and IPAB Notes	54,764	—	—	—	—
Total loans and FOBAPROA and IPAB Notes	Ps.358,521	Ps.387,278	Ps.468,686	Ps.516,132	Ps.529,725

(1) The loan amounts set out in the above table do not include accrued interest (except in respect of the FOBAPROA and IPAB Notes).
(2) Includes loans to government entities and financial entities.
(3) Includes loans secured in whole or in part by cash, securities or property (including plant, inventory and equipment) and loans guaranteed by third parties.
(4) 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.41,489 million as of December 31, 2009, measured in constant pesos as of such date. Foreign currency-denominated loans decreased as a percentage of the total loan portfolio from 9.7% as of December 31, 2008 to 7.8% as of December 31, 2009. Foreign currency-denominated loans totaled Ps.49,857 million as of December 31, 2008, a decrease of 1.5% from Ps.50,635 as of December 31, 2007.

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,									
	2005		2006		2007		2008		2009	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of constant Ps. as of December 31, 2009, except percentages)									
Peso-denominated loans	Ps. 269,540	88.74%	Ps. 359,129	92.73%	Ps. 418,051	89,20%	Ps. 466,275	90.34%	Ps. 488,236	92.17%
Foreign currency-denominated loans	34,217	11.26%	28,149	7.27%	50,635	10,80%	49,857	9.66%	41,489	7.83%
Total loans	303,757	100.00%	387,278	100.00%	468,686	100.00%	516,132	100.00%	529,725	100.00%
FOBAPROA and IPAB Notes(1)	54,764		—		—		—		—	
Total loans and FOBAPROA and IPAB Notes(2)	Ps. 358,521		Ps. 387,278		Ps. 468,686		Ps. 516,132		Ps. 529,725	

(1) FOBAPROA and IPAB Notes are substantially peso-denominated.
(2) The loan amounts set out in the above table do not include accrued interest (except in respect of the FOBAPROA and IPAB Notes).

Loans to the public and private sectors

As of December 31, 2009, our loans to the public sector totaled Ps.59,142 million, accounting for 11.2% of our total loan portfolio. As of December 31, 2008, our loans to the public sector amounted to Ps.48,313 million, accounting for 9.4% of our total loan portfolio.

Loans to individuals are comprised of loans to sole proprietors, mortgage loans, credit card loans and other consumer loans. As of December 31, 2009, loans to individuals totaled Ps.252,581 million, representing 47.7% of our total loan portfolio and a 7.0% decrease from our total of 2008. As of December 31, 2008, loans to individuals totaled Ps.271,659 million, representing 52.6% of our total loan portfolio and reflecting an increase of 5.2% from December 31, 2007. The increase in loans to individuals in 2009 and 2008 was primarily the result of greater loan origination. In 2009, we issued 2.2 million credit cards. In addition, mortgage loans increased 6.3% compared to 2008. In 2008, we issued more than 2.9 million new credit cards, and we had a 8.0% increase in mortgage loans compared to 2007.

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,									
	2005		2006		2007		2008		2009	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of pesos, except percentages)									
Public sector(1)	Ps. 44,067	14.51%	Ps. 40,793	10.53%	Ps. 53,491	11.41%	Ps. 48,313	9.36%	Ps. 59,142	11.16%
Private sector:										
Businesses	102,464	33.73%	130,787	33.77%	156,373	33.36%	192,691	37.33%	216,538	40.88%
Individuals(2)	154,131	50.74%	214,615	55.42%	258,338	55.12%	271,659	52.63%	252,581	47.68%
Other private sector(3)	3,095	1.02%	1,083	0.28%	484	0.10%	3,469	0.67%	1,464	0.28%
Total private sector loans	259,690	85.49%	346,485	89.47%	415,195	88.59%	467,819	90.64%	470,583	88.84%
Total loans	303,757	100.00%	387,278	100.00%	468,686	100.00%	516,132	100.00%	529,725	100.00%
FOBAPROA and IPAB Notes	54,764		—		—		—		—	
Total loans and FOBAPROA and IPAB Notes	Ps. 358,521		Ps. 387,278		Ps. 468,686		Ps. 516,132		Ps. 529,725	

(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, 2009, performing commercial and corporate loans totaled Ps.267,130 million, reflecting an increase of 12.1% from December 31, 2008. The increase was attributable primarily to a 25.0% increase in unsecured revolving lines of credit.

As of December 31, 2009, the aggregate outstanding principal amount of our 15 largest loans represented 13.7% of total loans. Of these loans, five were classified as "A1," seven were classified as "A2", one was classified as "B1", one was classified as "B2" 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. None of the top 15 loans were 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, 2009, approximately 88.6% 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, 2009, performing consumer and mortgage loans totaled Ps.237,975 million, an increase of 7.5% from December 31, 2008. As of December 31, 2008, performing consumer and mortgage loans totaled Ps.257,283 million, an increase of 3.4% from December 31, 2007. 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.134,737 million as of December 31, 2009, an increase of 6.3% from December 31, 2008. Our performing mortgage loan portfolio totaled Ps.126,726 million as of December 31, 2008, an increase of 8.0% from December 31, 2007. The increase in our performing mortgage loan portfolio in 2008 compared to 2007 was primarily attributable to the transfer of a substantial portion of Hipotecaria Nacional's mortgage portfolio to us.

As of December 31, 2009, our performing credit card portfolio totaled Ps.64,430 million, a decrease of 24.5% from December 31, 2008. As of December 31, 2008, our performing credit card portfolio totaled Ps.85,383 million, a decrease of 1.2% from December 31, 2007. 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 2005, 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, 2009 our mortgage loans totaled Ps.141,245 million, our credit card loans totaled Ps.71,242 million and our commercial loans totaled Ps.45,209 million. In 2009, our mortgage unit granted approximately 36,027 mortgages directly to individuals and approximately 73,260 mortgages through housing developers, an decrease of 45.2% and a decrease of 23.9% respectively.

During 2009, our loans to the commercial sector increased 18.8%. Our credit card loans decreased 23.8% reflecting an increase in new credit card issuances. Our loans to major economic sectors (social and community services and manufacturing) increased 14.2%. Loans to the services sector increased 20.0% 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,									
	2005		2006		2007		2008		2009	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of constant Ps. as of December 31, 2007, except percentages)						(millions of Ps.)			
Economic Activity:(1)										
Residential mortgages	Ps. 73,657	24.25%	Ps. 99,412	25.67%	Ps. 120,508	25.71%	Ps. 130,814	25.35%	Ps. 141,245	26.66%
Social and community services(2)	54,759	18.03	41,365	10.68	47,930	10.23	58,543	11.34	74,100	13.99
Manufacturing	18,768	6.18	18,831	4.86	14,320	3.06	24,831	4.81	21,117	3.99
Construction and real estate development	14,802	4.87	32,222	8.32	44,900	9.58	58,721	11.38	57,580	10.87
Commercial(3)	18,540	6.10	22,781	5.88	29,053	6.20	38,070	7.38	45,209	8.53
Credit card	52,708	17.35	75,869	19.59	91,746	19.58	93,532	18.12	71,242	13.45
Services(4)	16,480	5.43	29,855	7.71	18,009	3.84	20,429	3.96	24,513	4.63
Energy and utilities	12,755	4.20	17,397	4.49	33,878	7.23	24,435	4.73	27,652	5.22
Other	41,288	13.59	49,546	12.79	68,342	14.58	66,757	12.93	67,067	12.66
Total loans	303,757	100.00%	387,278	100.00%	468,686	100.00%	516,132	100.00%	529,725	100.00%
FOBAPROA and IPAB Notes	54,764		—		—		—		—	
Total loans and FOBAPROA and IPAB Notes(1)	Ps. 358,521		Ps. 387,278		Ps. 468,686		Ps. 516,132		Ps. 529,725	

(1) The loan amounts set out in the above table do not include accrued interest amounts (except in respect of the FOBAPROA and IPAB Notes).
(2) Includes loans to the public sector.
(3) Includes loans for commercial activities not directly related to manufacturing as well as loans related to tourism.
(4) 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, 2005, 2006, 2007, 2008 and 2009.

	As of December 31,									
	2005		2006		2007		2008		2009	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of constant Ps. as of December 31, 2007, except percentages)									
Due within 1 year	Ps. 54,602	36.92%	Ps. 73,945	43.21%	Ps. 91,711	43.72%	Ps. 105,275	43.30%	Ps. 101,356	37.19%
Between 1 and 5 year	42,981	29.07%	41,289	24.13%	63,578	30.31%	70,449	28.98%	87,974	32.28%
Over 5 years	50,292	34.01%	55,899	32.66%	54,470	25.97%	67,405	27.72%	83,178	30.52%
Total	Ps. 147,875	100.00%	Ps. 171,133	100.00%	Ps. 209,759	100.00%	Ps. 243,129	100.00%	Ps. 272,508	100.00%

At December 31, 2009, the total of our performing commercial and leasing loan portfolio was Ps.272,508 million. Of these loans, 37.2% 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.

The following table presents the interest rate sensitivity of our outstanding commercial and leasing loans (including non-performing loans, FOBAPROA and IPAB Notes) as of December 31, 2005, 2006, 2007, 2008 and 2009. We had no FOBAPROA or IPAB Notes as of December 31, 2009. See note 28 to our audited financial statements included elsewhere in this offering memorandum.

	As of December 31,				
	2005	2006	2007	2008	2009
	(millions of constant Ps. as of December 31, 2007)			(millions of Ps.)	
Fixed-rate	Ps. 54,584	Ps. 61,133	Ps. 99,927	Ps.107,990	Ps.100,890
Variable rate(1)	94,138	110,635	110,591	137,252	175,908
Total	148,722	171,768	210,518	245,242	276,798
FOBAPROA and IPAB Notes	54,764	—	—	—	—
Total loans and FOBAPROA and IPAB Notes(2)	203,486	171,768	210,518	245,242	276,798
Total non-performing commercial loans	847	635	759	2,113	4,290
Allowances for loan losses	(3,130)	(2,482)	(2,746)	(3,529)	(4,882)

(1) Includes loans that mature or reprice in 30 days or less, which we consider to be effectively variable rate loans.
(2) Loan amounts do not include accrued interest (except in respect of the FOBAPROA and IPAB Notes).

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, 2009, total non-performing loans were Ps.19,838 million, or 3.7% of total loans. Of this amount, Ps.596 million, or 3% of total non-performing amounts, represented past-due accrued interest. Total non-performing loans increased by Ps.3,418 million, or 20.8%, in 2009, as non-performing consumer credit card loans decreased by 16.41% to Ps.1,337 million, principally due to an increase in issuance of credit cards.

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 accrued interest. Total non-performing loans increased by Ps.5,740 million or 53.8% during 2008.

As of December 31, 2007, total non-performing loans were Ps.10,680 million, or 2.3% of total loans. Of this amount, Ps.485 million, or 4.5% of total non-performing loans, represented non-performing interest. Total non-performing loans increased by Ps.2,219 million or 26.2% during 2007.

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,				
	2005	2006	2007	2008	2009
	(millions of constant Ps. as of December 31, 2007)			(millions of Ps.)	
Non-performing loans:					
Commercial and corporate loans:					
Unsecured	Ps. 655	Ps. 199	Ps. 631	Ps. 1,924	Ps. 4,000
Secured	174	426	122	140	226
Consumer loans:					
Residential mortgage	2,274	2,413	3,198	4,088	6,508
Credit card	1,437	4,206	5,360	8,149	6,812
Other consumer credits	532	801	878	1,370	1,632
Leasing receivables	18	10	6	49	64
Past-due interest	232	406	485	700	596
Total non-performing loans	5,322	8,461	10,680	16,420	19,838
Allowance for loans losses	(13,817)	(16,457)	(16,774)	(25,560)	(26,991)
Total non-performing portfolio net of allowance for loan losses	Ps. (8,495)	Ps. (7,996)	Ps. (6,094)	Ps. (9,140)	Ps. (7,153)

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 900,000 UDIs at the classification date. 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

We determine the allowance for loan losses on our consumer loan portfolio 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.

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 exclude loans to the federal government of Mexico and to Banco de México, but include accrued interest, past-due interest and off-balance sheet commitments (such as guarantees and letters of credit).

	As December 31,									
	2005		2006		2007		2008		2009	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(millions of constant Ps. as of December 31, 2007, except percentages)						(millions of Ps.)			
Total graded loans:										
A	Ps. 241,920	80.60%	Ps. 314,687	81.95%	Ps. 398,870	86.02%	Ps. 370,647	70.72%	Ps. 380,177	72.49%
B	43,077	14.35%	51,640	13.45%	47,759	10.30%	131,322	25.06%	115,183	21.96%
C	9,854	3.28%	10,276	2.68%	8,650	1.87%	12,480	2.38%	15,983	3.05%
D	2,910	0.97%	4,521	1.18%	5,843	1.26%	7,249	1.38%	10,970	2.09%
E	2,370	0.79%	2,852	0.74%	2,555	0.55%	2,432	0.46%	2,117	0.40%
Total	Ps. 300,131	100.00%	Ps. 383,976	100.00%	Ps. 463,677	100.00%	Ps. 524,130	100.00%	Ps. 524,430	100.00%
Allowances grading of our loan	12,718		14,607		15,277		20,311		23,530	
Past-due interest	232		406		486		700		507	
Excess over minimum regulatory requirements	849		1,426		990		4,518		2,903	
BBVA Bancomer allowance	13,799		16,439		16,753		25,529		26,940	
Mercury Bank allowance	—		—		—		4		—	
Securitization Trust 881 allowances	—		—		—		—		43	
Bancomer Financial Holding allowance	18		18		21		27		8	
Total allowance for loan losses	13,817		16,457		16,774		25,560		26,991	
Allowance as percentage of:										
Graded loans		4.60%		4.29%		3.62%		4.88%		5.15%
Total loans plus interest (1)		4.53%		4.27%		3.63%		4.93%		5.15%
Total non-performing amount		259.62%		194.50%		157.06%		155.66%		136.06%
Total non-performing as a percentage of total loans plus interest (1)		1.74%		2.19%		2.31%		3.17%		3.78%
Total non-performing loans (non-performing amounts less allowances) as a percentage of total loans plus interest (1)		(2.91)%		(2.16)%		(1.37)%		(1.86)%		(1.44)%

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

As of December 31, 2009, 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 17.4% of our total loans. The largest single loan exposure as of December 31, 2009 accounted for 46.0% of our stockholders' equity. As of December 31, 2009, of the 25 largest loans, eight loans were rated "A1," ten loans were rated "A2," three loans were rated "B1", one was rated as "B2" and two are considered as "loans exempt." As of December 31, 2009, of the 10 largest loans, representing 11.4% of our total loans, five were rated "A1," two were rated "A2", one was rated "B1", one was rated "B2" 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, 2009, we recorded provisions charged against earnings totaling Ps.27,255 million. Our allowance for loan losses amounted to 136.06% of total non-performing loans as of December 31, 2009, compared to 157.06% as of December 31, 2007 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,				
	2005	2006	2007	2008	2009
	(millions of constant Ps. as of December 31, 2007)			(millions of Ps.)	
Balance at beginning of period	Ps. 13,695	Ps. 13,817	Ps. 16,457	Ps. 16,774	Ps. 25,560
Increase:					
Provision charged against earnings	5,086	7,152	12,622	23,994	27,255
Recoveries(1)	343	276	—	—	—
Provisions charged against equity	—	—	—	1,699	1,323
Exchange rate revaluation	—	—	—	155	—
Inflation revaluation of the UDI program(2)	391	633	642	947	614
Subtotal	5,820	8,061	13,264	26,795	29,192
Decrease:					
Exchange rate revaluation	96	22	83	—	100
Punto Final program for mortgage loans(2)	1,102	1,021	908	825	737
Punto Final program for commercial loans(2)	5	3	3	1	—
Other charge-off	2,458	3,657	11,315	17,183	26,896
Amount of loans sold	—	—	—	—	28
Amount of allowances attributable to FOBAPROA loss sharing	1,648	110	—	—	—
Monetary loss	389	608	638	—	—
Subtotal	5,698	5,421	12,947	18,009	27,761
Balance at the end of period	Ps. 13,817	Ps. 16,457	Ps. 16,774	Ps. 25,560	Ps. 26,991

(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,									
	2005		2006		2007		2008		2009	
	Allowance	%	Allowance	%	Allowance	%	Allowance	%	Allowance	%
	(millions of constant Ps. as of December 31, 2007, except percentages)						(millions of Ps.)			
Commercial, financial and agricultural	Ps. 3,089	22.36%	Ps. 2,461	14.95%	Ps. 2,718	16.20%	Ps. 3,504	13.71%	Ps. 4,845	17.95%
Residential mortgages	7,354	53.22%	7,407	45.01%	6,936	41.35%	6,935	27.13%	8,557	31.70%
Credit card	1,438	10.41%	3,568	21.68%	4,419	26.34%	8,201	32.09%	8,459	31.34%
Other consumer loans	814	5.89%	1,168	7.10%	1,197	7.14%	1,677	6.56%	1,683	6.24%
Leases	41	0.30%	21	0.13%	28	0.17%	25	0.10%	37	0.14%
Excess over minimum regulatory requirements	849	6.14%	1,426	8.67%	990	5.90%	4,518	17.68%	2,903	10.76%
Past-due interest	232	1.68%	406	2.47%	486	2.90%	700	2.74%	507	1.88%
Total	Ps. 13,817	100.00%	Ps. 16,457	100.00%	Ps. 16,774	100.00%	Ps.25,560	100.00%	Ps. 26,991	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, 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, a 45.3% and 100% increase and decrease, respectively, compared to 2008. As of December 31, 2008, the book value of our foreclosed real estate and non-real estate assets, net of allowance, totaled Ps.1,513 million and Ps.0 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 2004. This methodology requires the allowance for holding repossessed assets to be determined based on scheduled percentages. See note 4 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, 2009, 2008 and 2007.

	As of December 31,		
	2007	2008	2009
	(millions of pesos)		
Real estate:			
Rural land	Ps. 26	Ps. 57	Ps. 53
Urban land	155	163	281
Family houses	982	1,407	1,958
Condominiums	169	199	276
Industrial plants	93	71	64
Commercial building	100	24	24
Other	5	24	64
Subtotal real estate	1,530	1,945	2,720
Allowance for real estate	(424)	(432)	(522)
Total real estate, net	1,106	1,513	2,198
Non-real estate	50	18	18
Allowance for non-real estate	(50)	(18)	(17)
Total non-real estate	—	—	1
Property type	1,580	1,963	2,738
Allowance	(474)	(450)	(539)
Total	Ps.1,106	Ps.1,513	Ps.2,199

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 were liquidated and their balances included in the institutions' accounting records for an amount of Ps.15,635 million.

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.2 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 Securities Sold Under Agreements to Repurchase

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

	As of December 31,					
	2007		2008		2009	
	Amount	Rate	Amount	Rate	Amount	Rate
	(millions of pesos, except percentages)					
Short-term borrowings:						
At end of period	Ps. 14,163	19.37%	Ps. 27,428	9.01%	Ps. 5,423	19.25%
Daily average indebtedness during period	38,423	7.14%	32,676	7.56%	23,165	4.51%
Maximum month-end balance	55,097		49,703		46,828	
Securities sold under agreements to repurchase:						
At end of period	352,993	5.29%	267,622	8.50%	257,610	7.19%
Daily average indebtedness during period	257,864	7.24%	290,193	7.84%	331,247	5.15%
Maximum month-end balance	352,993		348,569		295,233	
Total:						
At end of period	367,156	5.83%	295,050	8.54%	243,033	7.46%
Daily average indebtedness during period	296,287	7.23%	322,869	7.81%	354,412	5.11%
Maximum month-end balance	Ps.408,090		Ps.398,272		Ps.342,060	

Deposits

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

	As of December 31,		
	2007	2008	2009
	(millions of pesos)		
Interest-bearing demand deposits:			
Peso-denominated	Ps.191,868	Ps.211,887	Ps.227,443
Foreign currency-denominated	29,916	38,424	42,722
Subtotal	221,784	250,311	270,165
Non interest-bearing demand deposits:			
Peso-denominated	59,434	64,696	71,852
Foreign currency-denominated	7,851	9,874	12,764
Subtotal	67,285	74,570	84,616
Saving deposits:			
Peso-denominated	100	100	174
Foreign currency-denominated	6	8	7
Subtotal	106	108	181
Time deposits:			
Peso-denominated	170,512	213,585	214,828
Foreign currency-denominated	15,825	15,266	17,732
Subtotal	186,337	228,851	232,560
Total	Ps.475,512	Ps.553,840	Ps.587,522

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 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 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 and (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 other 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; and (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

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 378,000 companies and government entities, and to over 15.7 million retail customers throughout Mexico. As of December 31, 2009, we had total assets of Ps.1,093,391 million and total deposits (including local bank bonds) of Ps.588,514 million. In 2009, our net income was Ps.18,446 million and our stockholders' equity was Ps.98,590 million. As of December 31, 2009, 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, 2009, GFBB accounted for approximately 11% of BBVA's total assets and contributed approximately 27% of BBVA's net income. As of December 31, 2009, we accounted for approximately 99% of GFBB's total assets and approximately 85% 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, 6,237 ATMs, 120,043 point of sale terminals and through our website www.bancomer.com. We are focused on offering our services in an efficient manner, and approximately 85% 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, 2009, we are a leader in 27 out of 32 Mexican states in terms of total deposits.

Commercial activity has been growing over the last three years, at an average rate above GDP economic growth. Compounded annual growth for our loan portfolio was 6.4% from 2007 to 2009, while total deposits (including demand and time deposits) showed a compounded annual growth of 10% during the same period.

Despite the deterioration of the global macro economic environment in 2008 and 2009, our loan portfolio grew in recent years while maintaining a sound asset quality. Total non-performing loans as percentage of total loans equaled 3.7%. During 2009, our loan portfolio changed with an increase in commercial and mortgage loans and a decrease in consumer loans. Our net income grew 5.7% in 2007, decreased 6.6% in 2008, but grew 0.5% in 2009, in each case as compared to the previous year. Net income increased in 2009 as a result of the combination of favorable fee income and commissions and trading income that offset lower net interest income and higher provisions for loan losses, which were attributable to stricter risk management measures and higher delinquency rates, mainly related to our consumer portfolio. Our performing loan portfolio grew 19.6% in 2007, 11.1% in 2008 and 0.6% in 2009, in each case as compared to the previous year.

The Mexican financial market is a highly competitive industry. As of December 31, 2009, a total of 41 banks operated in Mexico compared to 43 banks that operated in Mexico in 2008. We hold the leading position in the following business lines:

	As of December 31, 2009(1)	
	Market Share	**Rank**
Total assets	23.0%	1
Total deposits	25.5%	1
Total peso-denominated bond issuances(2)	20.6%	1
Total loans	26.5%	1
Number of branches	16.7%	1

(1) Source: CNBV, except as otherwise noted.
(2) Source: Bloomberg L.P.

Our principal subsidiaries include:

- *Administradora de Fondos para el Retiro Bancomer, S.A. de C.V.* (“AFORE Bancomer”), a pension fund management company; and
- *Bancomer Financial Holdings*, 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 (“BFS”), an agent for BTS in the State of California for money transfers and bill payments; and Bancomer Foreign Exchange (“BFX”), a currency exchanger and agent of BTS in Texas.

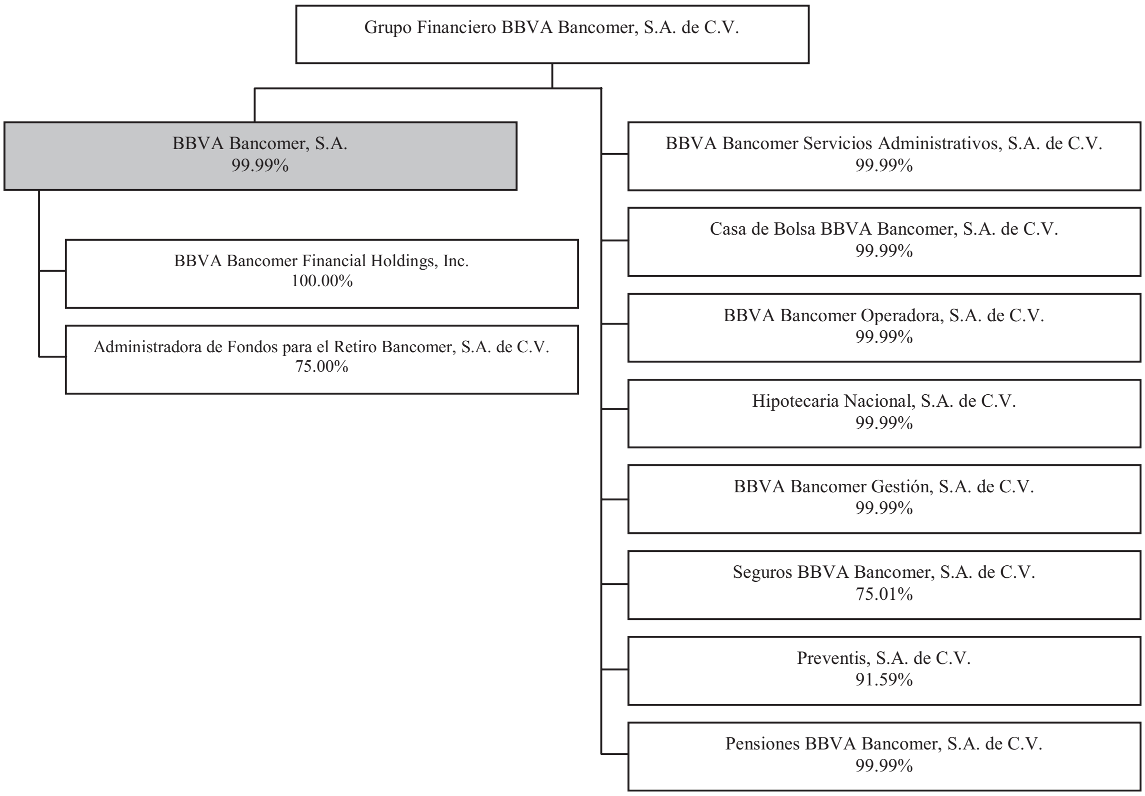
Organizational Structure

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.

The following chart presents our current 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. 99.9 % 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 through business units dedicated to developing custom-made products for each segment and delivering these products through specialized networks and representatives.

Our strategy focuses on developing the following areas:

Customer base

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.

As of December 31, 2009, we had 15.7 million individual customers, including approximately 378,000 companies, including large corporations, small and medium-sized enterprises and small businesses, and 6,417 government customers.

This wide customer base is segmented according to the level of relationship each customer maintains with the Bank. Such relationship is measured through the customers' deposit balances. We design and develop different products in order to better service each segment within this customer base. Customers are attended to through specialized business units with dedicated bank representatives in specialized offices. One of our most important goals is to increase penetration of financial products and services within our own customer base. In order to increase knowledge and to better fulfill our customer's needs, in 2008 we created a special unit under the name of "Customer Insight".

At the end of 2009, we achieved a positive impact on our self-maintained customer satisfaction index as a result of increased efforts arising from all business units. These results were supported by the diverse programs and actions developed by the Bank to improve customer service, such as *Bancomer Q*, as described below. To further improve our customer satisfaction, we have improved our products and channels of delivery that are most valued by our customers, allowing us to generate a breakthrough in defining 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 dialogue and coordination between business areas. NPS allows us to identify the causes of satisfaction and dissatisfaction amongst our customers and prioritize critical areas of improvement. All these measures are designed to generate recommendations by our customers of our services to potential new customers.

Besides increasing 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 Mexican banking system, thus providing us with a considerable opportunity to increase our revenues through selective lending activities. We intend to focus on opportunities to increase lending to this under-served segment 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.

One of the most important initiatives to improve customer service is the program *Garantías Bancomer*, a program focused on providing aggregate value and strengthening our long-term engagement with our customers through a focus on quality. This program offers 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. As of December 2009, this program included 12 different guarantees with a success rate of 99.98% at the end of the year.

We seek to establish a long-term relationship with our customers by offering high quality services and constant support to develop the best solutions and products. To achieve these goals, we launched the program *Bancomer Q*, that seeks primarily to increase our service and maintain the preference of our customers. This program helps us realize 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 2009, 79% of our retail branches where certified as *Bancomer Q*. The remaining 21% are undergoing a certification process. Meanwhile, the service quality at these branches is measured through customer surveys.

In order to improve service quality 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. Also, we have made considerable attempts to reduce branch traffic through the installation of electronic payment systems, lowering the number of customers waiting for tellers, even after an increase in the number of transactions and customers. As of December 31, 2007, 17.8% of total banking transactions were made through tellers while as of December 31, 2009, this number was reduced to 15.0%.

One of our main challenges and a central part of our strategy is to increase the cross-selling of all of our products. As of December 31, 2009, we actually held a cross-selling index of 1.85 products per customer. We expect that we will increase this rate gradually as knowledge of our customer base grows.

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 development of the ratio of our provisions for loan losses to average loan portfolio known as "risk premium":

	Risk Premium		
	2007	2008	2009
		(%)	
Bancomer	3.0	4.9	5.3
Banamex	5.9	9.2	7.2
Santander	3.7	6.7	7.0
HSBC	5.3	7.8	8.8
Banorte	1.6	3.2	3.5
Scotiabank	2.1	3.2	3.0
Market not considering Bancomer	4.3	6.7	6.7

Source: CNBV and included banks' quarterly report of December 2009.

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, 2009, 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 continue to expand 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.

Over the last three years, we have improved our productivity and efficiency ratio. According to the CNBV, as of December 31, 2007, our efficiency ratio was 43.1%, as of December 31, 2008, our efficiency ratio reached 39.0%, and as of December 31, 2009, our efficiency ratio reached 39.4%, which represented the highest level of efficiency in the Mexican financial system.

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, 2009, our website was the most preferred website for financial transactions according to Aqmetrix, an agency that develops indicators of financial services.

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, 2009, this program reached 18 states and 143 municipalities. Since the beginning of its operation, *Por los que se quedan* has granted a total of 15,600 scholarships, totaling Ps.228 million.

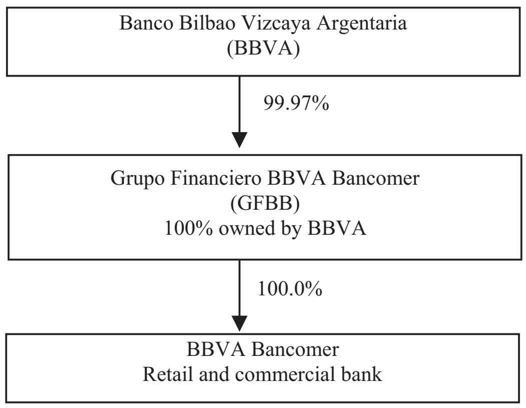
We are also focused on increasing financial education in Mexico through our program *Educación Financiera*, which provides users guidance on banking products and services. We hold various workshops that seek to educate users on savings, credit cards and mortgage loans. We have been able to deliver these workshops in an easy-to-access format, using our retail branches, or through mobile classrooms or electronic channels such as our website. For the year ended December 31, 2009, we have given more than 56,000 workshops to more than 111,000 participants.

Recent Developments

On April 8, 2009, the extraordinary general shareholders' meetings of BBVA Bancomer, S.A. and BBVA Bancomer Servicios S.A., approved a merger agreement between these two entities, pursuant to which BBVA Bancomer Servicios, S.A. merged into BBVA Bancomer, S.A. The merger agreement became effective on August 1, 2009, upon the approval by the CNBV. This merger increased our capital stock from Ps.3,828 million to Ps.4,243 million.

On July 22, 2009, the Ministry of Finance and Public Credit authorized BBVA to acquire 4,731,069,480 Series "F" shares of GFBB, with a par value of Ps.0.11 each, representing 51% of the paid capital stock of GFBB. As a result of this acquisition, GFBB is the foreign financial institution with majority shareholders interest in BBVA, holding a 99.97% interest in BBVA.

The following chart presents our current holding organizational structure:



In 2008, we completed the sale of our main properties. During the same period, we purchased two plots of land intended for our new corporate and operating headquarters. The corporate building will be located in *Paseo de la Reforma*, the financial center of Mexico City, while 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.

Business Divisions

We operate through a number of divisions, mainly retail banking, middle-market banking, government banking, mortgage 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, 2009 of 1,797 retail branches and 6,237 ATMs throughout Mexico, as well as through channels outside of these networks, including 120,043 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, 2009, our retail banking division catered to over 15 million customers, 90% of which are retail customers, 7% of which are preferred, personal and private banking customers and approximately 2% 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, 2009, our retail banking division accounted for approximately 19% of our total loan portfolio, reported approximately 63% of our demand and time deposits, and accounted for 36% of our net interest income and 53% 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, 2009 we had over 7 million payroll accounts.

One of the main factors in our commercial activity growth is higher productivity. During 2009, the productivity of the retail banking division, measured as the number of products sold per sales executive per month, increased at an average annual rate of 22.2% compared to 2008, reaching an origination of more than 2.4 million demand deposit accounts, one million credit cards, 650 thousand consumer loans, 14 thousand mortgage loans and 25 thousand 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.6,500. In addition, these customers are entered into raffles for more expensive awards such as automobiles. As of December 31, 2009, we had 8 million savings accounts according to CNBV and *El Libretón* and a 60.4% market share in savings accounts, according to numbers of Mexican Banking Association. Additionally, we launched for the first time in 2009 the campaign "*Hecha a Volar tu Negocio*" aimed at increasing deposits from our micro and small businesses customers.

El Libretón 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. 3,000, the account pays a 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, 2009, the retail banking division balances of demand deposits reached over Ps.220,000 million. This level of activity contributed to increase market share and strengthened the 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, 2009, the balances in time deposits and mutual funds from the retail banking division were Ps.103,488 million and Ps.183,013 million, respectively which represent approximately 80% of our total time deposits and mutual fund balances.

In order to address the needs of the transient population from the United States in Mexico, in 2007 the retail banking division created a subdivision called foreign residents that offers services to this segment through a dedicated branch network offering a wide range of products such as mortgages for foreign residents who wish to buy leisure housing. As of December 31, 2009, deposits from this division reached Ps.3.0 billion, doubling the amount achieved in 2008.

We issue debit cards through a variety of different account products. As of December 31, 2009, we have a total of approximately 17.9 million debit cards. Aggregate debit card billing for December 31, 2009 totaled Ps.668,000 million, a 6% increase compared to 2008.

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 3.0 million new credit cards in 2007, 2.9 million in 2008 and 2.2 million in 2009, maintaining balances for over Ps.71,000 million as of December 31, 2009. It also has led to 723,000 new payroll loans in 2007, 732,000 in 2008 and 576,000 in 2009. Over 86,000 auto loans were extended in 2007, 74,000 in 2008 and 57,000 in 2009.

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, 2009, we had issued approximately 30,000 new loans to small businesses.

In 2009, our retail banking division strengthened this specialized network that offers services to more than 750,000 micro, small and midsized businesses and self-employed individuals with 381 account representatives in 1,797 branches. In 2009, we successfully launched an emergency liquidity program to provide working capital to businesses affected by H1N1 virus breakout. Under this program, the Bank lent nearly Ps.2,000 million to support more than six thousand businesses.

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 56 offices and 197 representatives located throughout Mexico who attend to approximately 39,400 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.

At the end of 2009, the personal and private banking unit received the award "Best Local Mexican Private Banking" by Euromoney, an international finance magazine, mainly because of it business model, strong assets and revenue growth.

Distribution channels

As of December 31, 2009, we had the largest national branch network consisting of 1,797 branches, including 1,688 full-service branches, 23 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 12 divisions located throughout Mexico. We also have two branches located outside of Mexico, one in Houston and the other in the Cayman Islands.

The following map shows our branch distribution in Mexico:

As of December 31, 2009, our ATM network, the second largest in Mexico, consisted of 6,237 ATMs. In 2009, ATMs were our most important transactional channel, processing more than 698 million transactions, or approximately 35% 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 534 million and 87 million transactions, respectively. In 2009, we invested in our ATM network, adding 423 new machines reaching a total of 6,237 with a market share of 18.5%. 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 39 *Practicajas* and 15 *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 2009, the number of transactions through electronic channels reached 534 million on-line banking transactions, 786 million banking by phone and ATM transactions, and 313 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 2009, 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. As a result, we estimate that we will receive approximately 40 million transactions per year.

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, 2009, we had over 12 million issued credit cards, including Visa, Master Card and private label credit cards. As of December 31, 2009, total credit card loans outstanding were Ps.71,683 million, while aggregate credit card billing totaled Ps.147,449 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, 2009, approximately 62% of our credit cards were private label credit cards. We offered nine different private label credit cards and as of December 31, 2009, our outstanding loans represented Ps.125,336 million.

In 2009, two million of our credit cards were placed through our branch network, external networks and sales force. Portfolio management and segmentation has been the pillar of a positive credit performance. Proper differentiation and the development of risk management tools allow us to identify customers with debt problems early on, and offer them a plan of support through preferential rates. By the end of 2009, over 500,000 customers were participating in one of these types of programs.

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.40,820 million as of December 31, 2009.

"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 2009, we issued more than 576,000 of such loans. In addition, we issued approximately 57,949 automobile loans and granted more than 49,000 personal loans as of December 31, 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 324 specialized representatives. As of December 31, 2009, this business division covered 37,593 companies with a variety of financial services.

The middle-market banking division loan portfolio reached Ps.70,191 million as of December 31, 2009 and represents approximately 13.6% of our total commercial portfolio. The quality of this portfolio has not been affected by its growth as the delinquency ratio was 2.43% at the end of 2009.

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. During 2009, this business division showed an increase in total deposits of 5.7%.

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, 2009, productivity, measured as the number of products sold per executive per month, increased at an annual rate of 49%.

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, as 66% of our customers have more than 5 families of products with BBVA Bancomer.

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 6,417 customers with 92 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 41% in 2009 compared to 2008, 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 2009, this business division installed 61% more point-of-sale terminals than in 2008. In addition, in 2009 we placed 38% more electronic banking services to government entities than in 2008.

As of December 31, 2009, our government banking division accounted for 9% of our total performing loan portfolio and approximately 12.0% of our total demand and time deposits.

Mortgage banking

The mortgage banking division offers home loans to individuals as well as to homebuilders. It has a network of 85 offices across Mexico that provide specialized services to its customers. In 2009, our mortgage banking division confirmed its leadership in the individual home mortgage market, holding a 40.7% market share in the number of new loans granted.

At the close of 2009, the individual mortgage portfolio totaled Ps.130,321 million, 7.0% more than in December 2008. The solidity of our mortgage portfolio was clear in the success of an individual mortgage portfolio securitization for Ps.5,910 million, and the issues were rated mxAAA, the highest grade on the domestic scale.

The mortgage banking business division also offers lending to housing developers. As of December 31, 2009, we committed financing for the construction of 73,260 homes worth a total of Ps.17,209 million. The current balance of the business portfolio was Ps.38,534 million. The division exhibited strong risk management results as the delinquency ratio was 1.77% as of December 31, 2009.

In 2009, our mortgage banking division received for the second consecutive year the National Housing Award, a national award given by the Ministry of Social Development, in recognition of our division's constant effort in increasing the offering of our products, particularly by launching six financial products in 2008 to expand our already wide array of products.

As of December 31, 2009, the mortgage banking division accounted for approximately 33% of our total loan portfolio amounting to Ps.168,854 million, and it catered to approximately 379,588 individual customers and 868 housing developers.

Given the competitive environment, the mortgage banking division is continuously developing new products and services. For example, in 2008, this business division launched a remote sale channel that allows interested parties to obtain authorization of their loan without having to physically go to a branch office. Additionally, this banking division launched *Hipoteca Joven*, a program that offers mortgages to younger borrowers. In 2009, this business division also launched *Cofinavit*, a product to co-finance housing acquisition with the *Infonavit* (Institute of the National Housing Fund for Workers).

We believe there are significant opportunities to continue growing our mortgage business going forward. We expect that our mortgage business will increase as the expected demand for housing in Mexico will continue to expand as a result of the natural growth in the Mexican population in conjunction with its demographic structure, and the Mexican government's commitments to support the area continues.

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 2009, the corporate and investment banking division served 340 groups, 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, 2009, our corporate and investment banking division accounted for approximately 17% of our total performing loan portfolio, and 10% 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 syndicated loans and peso-denominated debt securities with a market share of 20.6% and 17.7%, respectively, according to Bloomberg L.P., and Dealogic on December 31, 2009. Its transactions have also been acknowledged by Latin Finance and International Finance Review with six Deal of the Year awards. 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.

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 4.3 million accounts as of December 31, 2009. In addition, as of December 31, 2009, AFORE BBVA Bancomer had Ps.178,828 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, 2009, AFORE BBVA

Bancomer was one of the leading retirement funds in the market. As of December 31, 2009, AFORE BBVA Bancomer recorded net income of Ps.925 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.

Bancomer Financial Holdings

Bancomer Financial Holdings 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

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 of our sixty-two agent locations in the states of Texas, California, and New York or through any other money remitter with which BTS has signed agreements, including the U.S. Postal Service.

Bancomer Financial Services

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

Bancomer Foreign Exchange

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, 2009, the Mexican banking system was comprised of 41 private-sector banks, of which 22 are principally Mexican-owned and 19 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 80.9% of all outstanding assets by Mexican private sector banks for the year ended December 31, 2009.

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.

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.

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.

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, 2009, 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, 2009, except percentages)							
Domestic private-sector bank	Ps. 1,248,829	22.0%	Ps. 613,951	25.4%	Ps. 624,474	26.7%	Ps. 123,708	20.9%
Foreign-owned banks	3,496,484	61.8%	1,362,356	56.3%	1,682,952	63.7%	393,895	66.6%
Private-sector total	4,745,313	83.8%	1,976,307	81.7%	2,307,426	87.4%	517,603	87.5%
Public-sector banks*	804,092	14.2%	343,281	14.2%	332,489	12.6%	59,456	10.1%
Total banking system	5,549,405	98.0%	2,139,589	95.9%	2,639,915	100.0%	577,059	97.6%
Non-banking institutions*	112,369	2.0%	100,269	4.1%	—	—	14,123	2.4%
Financial system total	Ps. 5,661,774	100.0%	Ps. 2,419,858	100.0%	Ps. 2,639,915	100.0%	Ps. 591,181	100.0%

Source: CNBV.

* Figures as of September 30, 2009.

Deposits

As of December 31, 2009, we had deposits of Ps.588,514 million. Our 25.5% 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,		
	2007	2008	2009
BBVA Bancomer	25.0%	24.8%	25.5%
Banamex	17.9%	16.7%	20.5%
Santander	13.0%	13.6%	10.6%
HSBC	14.0%	11.9%	10.3%
Banorte	10.7%	11.6%	11.9%
Scotiabank Inverlat	5.4%	5.1%	5.0%
Total for six banks	86.0%	83.7%	83.8%

Source: CNBV.

(1) Includes demand deposits, savings deposits, time deposits and local bank bonds.

Loans

As of December 31, 2009, we had the largest total loan portfolio among Mexican banks with a total of Ps.524,393 million. Our total loan portfolio represented 26.5% 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 1.0% 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 31 in each of the last three years.

	Bank Loans As of December 31,		
	2007	**2008**	**2009**
BBVA Bancomer	27.1%	27.3%	26.5%
Banamex	16.1%	14.5%	17.7%
Santander	12.8%	12.1%	10.5%
Banorte	11.0%	12.4%	11.9%
HSBC	11.7%	9.1%	8.1%
Scotiabank Inverlat	5.4%	5.2%	5.1%
Total for six banks	84.1%	80.6%	79.8%

Source: CNBV.

Stockholders' equity

As of December 31, 2009, 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,		
	2007	**2008**	**2009**
	(millions pesos, as of December 31, 2009)		
Banamex	Ps. 102,498	Ps. 111,489	Ps. 133,103
BBVA Bancomer	78,903	81,143	98,590
Santander	61,646	67,943	71,092
Banorte	30,912	36,041	41,005
HSBC	31,859	29,210	39,828
Scotiabank Inverlat	22,096	25,417	25,034
Total for six banks	Ps. 327,914	Ps. 351,243	Ps. 408,652

Source: CNBV.

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, 2009, we owned 561 of the properties where 1,857 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,		
	2007	2008	2009
BBVA Bancomer	27,100	27,092	26,568
Overseas branches and representative offices	28	30	30
Subsidiaries	0	0	0
Total	27,128	27,122	26,598

As of December 31, 2009, we had 26,568 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 27, 2010 and expires on December 31, 2011. 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 August 2009 we were sued by a depositor demanding payment of $106,163 million pesos from an initial investment of $1.9 million pesos *viejos*. The plaintiff claims that the initial interest rate of 90% per annum should be applied to the initial investment rather than having the rate adjusted according to the terms approved by Banco de México in accordance with the then applicable law. Thereby, we believe this lawsuit has no merit.

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, 2009, total allowance for loan losses represented an amount equivalent to U.S.$2,066 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 (*Disposiciones de Carácter Prudencial en Materia de Crédito Aplicable a las Instituciones de Crédito*) 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 December 2008 and June 2009, 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, 2009. 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 2009, daily Value at Risk did not exceed Ps.178 million (approximately U.S.$13.6 million). The daily consolidated Value at Risk limit is Ps.245 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 2009, as well as the daily limits in effect as of December 31, 2009, as it was the last business day of the year.

	Three months ended December 31, 2009			Actual limit as of December 31, 2009
	Average	Maximum	Minimum	
	(millions of Ps.)			
Equities	33	111	24	131
Interest rate	140	178	106	200
Foreign exchange	10	38	3	58
Vega	24	31	16	81
Total	147	178	119	245

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 net 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 value, 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 November 21, 2009, 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	2	46
Vice Chairman			
Luis Robles Miaja	Senior Officer of BBVA Bancomer	2	49
Secretary			
José Fernando Pío Díaz Castañares	Legal Officer of BBVA Bancomer	2	46
Alternate Secretary			
Pablo Enrique Mendoza Martell	Legal Officer of BBVA Bancomer	2	60
Directors			
Fernando Gerardo Chico Pardo*	Chairman of Grupo Aeroportuario Del Sureste S.A.B. de C.V.	0	58
Gastón Azcárraga Andrade*	Chairman of Grupo Posadas S.A. de C.V.	4	53
Alberto Bailleres González	Chairman of Industrias Peñoles S.A. de C.V. and of El Palacio de Hierro S.A. de C.V.	17	77
Alejandro Burillo Azcárraga*	Chairman of Grupo Pegaso	4	57
Pablo Escandón Cusi*	Chairman and CEO of Nadro S.A. de C.V.	3	65
José Antonio Fernández Carvajal	CEO of Fomento Económico Mexicano, S.A.B. de C.V.	17	55
Bárbara Garza Lagüera Gonda	Board Member and Shareholder of Coca-Cola FEMSA, S.A.B. de C.V.	17	49
Francisco González Rodríguez	Chairman of BBVA	8	64
Ricardo Guajardo Touché	Chairman of Audit Committee of GFBB	17	60
Alternates			
Cuauhtémoc Pérez Román*	Chairman and CEO of Grupo Urbi	4	57
Jaime Serra Puche*	Partner of SAI Consultores	2	58
Arturo Manuel Fernández Pérez	President of ITAM	8	55
José Fernando de Almansa y Moreno-Barreda*	Board Member of Telefónica, S.A.	6	60
Andrés Alejandro Aymes Blanchet*	Partner of Aymes y Asociados Consultoría en Eficiencia	8	67
Carlos Salazar Lomelín	CEO of Coca- Cola FEMSA, S.A.B. de C.V.	4	58
Manuel Castro Aladro	Senior Officer of BBVA	0	42
Ángel Cano Fernández	Vice Chairman of BBVA	0	48
Vitalino Manuel Nafría Aznar*	Senior Officer of BBVA (Retired)	2	58

* 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.
- *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.

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:

Name	Position	Years serving as our executive officers	Age
Ignacio Deschamps González	Chairman of the Board and Chief Executive Officer	15	46
Luis Robles Miaja	General Director—Communication and Institutional Relations	16	49
Ramón Arroyo Ramos	General Director—Human Resources	29	50
Juan Pablo Ávila Palafox	General Director—Retail Banking	23	45
Eduardo Ávila Zaragoza	General Director—Finance	15	41
Alfredo Castillo Triguero	General Director—Risk Management and Workout	4	51
José Fernando Pío Díaz Castañares	General Director—Legal Counsel	15	46
Gerardo Flores Hinojosa	General Director—Middle-Market and Government Banking	18	45
Gustavo Garmendia Reyes	General Director—Auditing	15	45
Eduardo Osuna Osuna	General Director—Mortgage Banking	14	39
Héctor Paniagua Patiño	Director—Consumer Loans	11	42
David Powell Finneran	General Director—Corporate Banking	16	47
José Antonio Ordás Porras	General Director—Global Markets	5	43
Gerardo Antonio S. Vargas Ateca	General Director—Corporate and Investment Banking	5	51
Sergio Salvador Sánchez	General Director—Systems and Operations	11	46

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.1,002 million at December 31, 2009, 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, 2009, our loans to related parties under Article 73 of the Mexican Banking Law totaled approximately Ps.30,090 million, which comprised 5.7% of our total loan portfolio at such date. Of the Ps.30,090 million, approximately Ps.16,042 million were loans made to GFBB and its subsidiaries and approximately Ps.14,048 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, 2009, approximately 66.6% were graded "A," 32.6% "B" and 0.8% "C" 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 be 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 ser 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 (such as the Notes), 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, such as the Notes, 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 were published in the Official Gazette of April 9, 2010 and 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 that 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 (such as the Notes). 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).

The Mexican Capitalization Requirements and the Rules for Capitalization authorize banks to issue capitalization instruments, such as the Notes. The proceeds from these instruments may constitute Tier 1 or Tier 2 Capital depending on their terms. However, such proceeds may only qualify as Tier 1 Capital up to an amount not greater than 14.92% of aggregate net Tier 1 Capital (without taking into account other convertible and non-convertible subordinated debentures, such as the Notes).

Failure to meet the capital requirements may result in the imposition of corrective measures described under "Description of the Notes—Treatment of Interest and Principal During a Suspension Period—Suspension Periods." We are in compliance with all applicable Mexican Capitalization Requirements.

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, 2009, we had set aside Ps.6,881 million in legal reserves compared to paid-in capital of Ps.39,864 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. See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period—Suspension Periods" for a discussion of such corrective measures.

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 everyday, 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 collectibility 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:

- 8.0% < capitalization ratio 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;
- 9.0% < capitalization ratio 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;
- 10.0% < capitalization ratio 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;
- 12.0% < capitalization ratio 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 > 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, 2009, 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,
- 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 May 4, 2007.

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

Mexico has in effect rules relating to money laundering; the most recent set of rules have been in effect since April 21, 2009 (the "Money Laundering Rules").

Under the Money Laundering Rules, we are required to satisfy various requirements:

- the establishment and implementation of procedures and policies, including customer identification and know-your-customer policies, to prevent and detect acts, omissions or transactions that might favor, assist or cooperate in any manner with terrorist or money laundering activities (as defined in the Mexican Federal Criminal Code (Código Penal Federal));
- implementing procedures for detecting relevant, unusual and suspicious transactions (as defined in the Ministry of Finance and Public Credit regulations);
- reporting of relevant, unusual and suspicious transactions to the CNBV and the Ministry of Finance and Public Credit; and
- the establishment of a communication and control committee (which, in turn, must appoint a compliance officer) in charge of supervising compliance with anti-money laundering provisions.
- If the transactions undertaken are deposits, savings or investment accounts, trusts, mandates, security-deposit box services or the granting of any kind of loans, we are required to organize and maintain a file for the identification of each customer (each, an "Identification File"). An individual's Identification File shall include a copy of the following documentation or data (which must be maintained updated): (i) full name, (ii) date of birth, (iii) nationality, (iv) tax identification number and the certificate evidencing the tax identification number issued by the Ministry of Finance or the

population registry identification number and evidence thereof issued by the Ministry of Interior, as the case may be, (v) profession, main activity or line of business and (vi) domicile (including telephone number).

- An entity's Identification File shall include a copy of the following documentation or data (which must be maintained updated): (i) corporate name, (ii) domicile, (iii) nationality, (iv) name of the sole administrator, the members of the board of directors, the general manager or any relevant attorney-in-fact, (v) main activity or line of business, (vi) tax identification number and the certificate evidencing the tax identification number issued by the Ministry of Finance, and (vii) copy of the public deed containing its constitutive documents.
- 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

Banco de México, in carrying out monetary and credit policies, has the authority to regulate banking operations, transactions in precious metals and foreign currency, and liquidity requirements, as well as the fees that will be subject to the Law for the Transparency and Regulation of Financial Services.

Banco de México, on its own initiative or as per request from the CONDUSEF, banks or sofoles, may assess whether reasonable competition conditions exist in connection with fees charged by banks or sofoles 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 temporary measures to address these issues.

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, 2009, according to the CONSAR, consisted of approximately 39.4 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 notes qualifying as Tier 1 Capital (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.$1,000,000,000 in registered form, in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. We will issue the Notes through the Agency, but the Notes will represent our general, unsecured and subordinated, non-cumulative, non-preferred obligations. The Notes constitute Subordinated Non-Preferred Indebtedness and will rank (i) junior to our Senior Indebtedness and Subordinated Preferred Indebtedness (ii) *pari passu* without preference among themselves and with all our other Subordinated Non-Preferred Indebtedness and (iii) senior only to all classes of our capital stock, as described in this offering memorandum. See "—Subordination." We expect to incur additional Senior Indebtedness, Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness from time to time, and the indenture for the Notes does not prohibit or limit the incurrence of other indebtedness, including additional Senior Indebtedness, Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness.

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 the Maturity Date falling on or nearest to April 22, 2020, (the "Maturity Date") unless earlier redeemed or payment of principal has been deferred as provided in this offering memorandum. We may redeem the Notes in whole, but not in part, under the circumstances described below under "—Redemption—Withholding Tax Redemption" and "—Redemption—Special Event Redemption." Other than in accordance with a Withholding Tax Redemption or a Special Event 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.

Principal and Interest

Interest periods

The Notes will bear interest from (and including) April 22, 2010, or the Issue Date, up to (but excluding) April 22, 2020, (the "Maturity Date"), at a rate per annum equal to 7.25%, payable semi annually in arrears on April 22 and October 22 of each year (each an "Interest Payment Date"), commencing on October 22, 2010. 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.

Definitions

For purposes of the foregoing:

(i) 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; and

(ii) The term Calculation Agent is defined in the indenture as The Bank of New York Mellon.

Additional interest

Any amount of interest or principal in respect of the Notes not paid on an Interest Payment Date or the Maturity Date shall bear interest, to the extent permitted by applicable law and other than during a Suspension Period (as defined in "—Treatment of Interest and Principal During a Suspension Period—Suspension Periods"), at the relevant interest rate plus 1.00%, from (and including) the date when such amount was due to (but excluding) the date of payment.

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.

Further Issuances

The Notes will be issued in an initial aggregate principal amount of U.S.$1,000,000,000. 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.

Treatment of Interest and Principal During a Suspension Period

Cancellation of interest and deferral of principal payments

We have the right to and will cancel accrual and payments of interest due on the Notes and defer the payment of principal thereof for the duration of any Suspension Period (see “—Suspension Periods”). In the event of a cancellation of the accrual and payment of interest on the Notes or deferral of payment of principal thereof, we will notify the holders of the Notes in accordance with the procedures described in their indenture. Payments of interest due on the Notes will be non-cumulative, so that in the event that payments of interest cease during a Suspension Period, holders of the Notes will have no right to receive any amount of unpaid interest (which would have accrued had there not been a Suspension Period) at the end of such Suspension Period, whether or not such payments are made at any future Interest Payment Date. Notwithstanding the foregoing, all interest accrued prior to a Suspension Period, but not paid as a result of such Suspension Period in effect on the relevant Interest Payment Date(s) on which such payments would have been payable, will be payable (without interest on such previously accrued payments) on the next succeeding Interest Payment Date on which no Suspension Period is in effect. If a Suspension Period exists on the Maturity Date, as applicable, payment of principal will be deferred without interest until the date that is five Business Days after the date on which no

Suspension Period is in effect. Principal payments may be deferred but not cancelled. When a Suspension Period is no longer in effect, we will notify the holders of the Notes in accordance with the procedures described in their indenture.

Suspension Periods

For purposes hereof, a Suspension Period will commence and we will cancel the accrual and payment of interest due thereon and defer the payment of principal thereof upon the occurrence of the following:

(1) (x) our minimum Capital Ratio declines below the minimum percentage required, from time to time, by the Mexican Capitalization Requirements or (y) our board of directors reasonably determines that it is immediately imminent that our Capital Ratio will decline below the minimum percentage required, from time to time, by the Mexican Capitalization Requirements (in either case, a "Capital Ratio Event"); or

(2) the CNBV institutes a preventive or corrective measure against us pursuant to Article 134 Bis or Article 134 Bis 1 of the Mexican Banking Law (including the corresponding rules set forth under the General Rules for Banks), which requires deferring payments of principal and canceling payments of interest otherwise due on the Notes (a "Mexican Regulatory Event.")

Article 134 Bis of the Mexican Banking Law provides that in the exercise of its supervisory duties the CNBV, through general regulations approved by its Board of Governance, will classify banking institutions based on their compliance with the provisions of the Rules for Capitalization, which may take into account Capital Ratios that reflect the degree of stability and solvency of a bank.

Article 134 Bis 1 of the Mexican Banking Law provides that if a bank does not comply with the minimum Capital Ratio required pursuant to the Mexican Capitalization Requirements (i.e., the minimum Capital Ratio for a bank not to be required to suspend payment of interest and defer payment of principal on outstanding subordinated debt), the bank must implement the corrective measures ordered by the CNBV, including:

(1) informing the board of directors of the bank's classification, based on the Capital Ratio thereof, and submit a detailed report containing an evaluation of the bank's overall financial status and its level of compliance with applicable regulation; the bank shall provide written notice to the general director and the chairman of the board of directors of the bank's regulated holding company with respect to such events and the status thereof;

(2) within a period not to exceed fifteen (15) business days, filing with the CNBV, for its approval, a capital recovery plan to increase the bank's Capital Ratio; the bank's capital recovery plan shall be approved by such bank's board of directors before it is submitted to the CNBV;

(3) suspending any payment of dividends to its shareholders, as well as any mechanism or act for the making of any distributions or the granting of any economic benefits to shareholders;

(4) suspending any share repurchase programs;

(5) deferring or canceling payment of interest and deferring the payment of principal on outstanding subordinated debt or, if applicable, exchanging outstanding convertible subordinated debt into shares of the bank in the amount necessary to cover the capital deficiency if ordered by the CNBV; these corrective measures shall be applicable to subordinated debt considered part of the bank's Tier 1 Capital or Tier 2 Capital; in the event that the bank issues subordinated debt, the bank is obligated to include in the documentation evidencing the relevant debt, in the applicable indenture and in the applicable offering document, that such deferral of payment of principal or deferral and cancellation of payments interest shall apply upon the occurrence of certain events as provided in the general rules of Article 134 Bis of the Mexican Banking Law set forth under the General Rules for Banks and that the implementation of such measures shall not be considered a default under the relevant debt documentation;

(6) suspending payment of any extraordinary benefits and bonuses that are not a component of the ordinary salary of the general director or any officer within the next two levels, and suspending the granting of new benefits to the general director and the officers mentioned above until the bank complies with the minimum Capital Ratio set forth under the Mexican Capitalization Requirements;

(7) abstaining from increasing outstanding amounts of any loans granted to any individual who is a related party; and

(8) any other corrective measures that, in each case, are provided by the general rules of Article 134 Bis of the Mexican Banking Law set forth under the General Rules for Banks.

Article 134 Bis 1 of the Mexican Banking Law further provides that:

- If a bank complies with the minimum Capital Ratio required pursuant to the Mexican Capitalization Requirements (i.e., the minimum Capital Ratio for a bank not to be required to cancel or suspend and cancel payment of interest and defer payment of principal on outstanding subordinated debt) but its Capital Ratio is not equal to or greater than the minimum Capital Ratio for a bank not to be subject to any corrective measures, the bank must implement certain corrective measures ordered by the CNBV, including, among others, (A) informing the board of directors of the bank's classification, based on the Capital Ratio thereof and submitting a detailed report containing an evaluation of the bank's overall financial status and its level of compliance with applicable regulation including the principal regulatory ratios, that reflect the Bank's degree of stability and solvency (together with any determinations or indications made by any of the CNBV or Banco de México) and providing written notice to the general director and the chairman of the board of directors of the bank's holding company with respect to such events and the status thereof; (B) abstaining from entering into any transaction that may decrease the bank's Capital Ratio below the Mexican Capitalization Requirements; and (C) any other corrective measures ordered by the CNBV.
- Regardless of the capitalization level, the CNBV may order the implementation of additional special corrective measures, including, among others: (1) requiring compliance with additional corrective measures that the bank will be required to carry out to avoid a decrease of its Capital Ratio; (2) special audits to be performed by special auditors in connection with specific matters; (3) abstaining from increasing the salaries and benefits of all officers and employees of the bank, except for any change in salary previously agreed and subject to the officers' and employees' labor rights; (4) removing officers, directors, statutory auditors or external auditors, appointing the persons that will hold the relevant positions; or (5) any other measures ordered by CNBV, based on its inspection and supervision authorities.
- Corrective measures will not be applicable to Mexican banks with a Capital Ratio equal to or greater than the minimum Capital Ratio required by the Mexican Capitalization Requirements plus 25% thereof.

The Capital Ratio currently required by the Mexican Capitalization Requirements for a bank not to be required to defer or cancel payment of interest and defers payment of principal on outstanding subordinated debt, as applicable, is 8%. Accordingly, under the Mexican Capitalization Requirements currently in effect a bank with a Capital Ratio of 10% or greater will not be subject to any corrective measures.

The general rules of Article 134 Bis 1 of the Mexican Banking Law, as set forth in the General Rules for Banks, classify Mexican banks in several categories based on their Capital Ratio. The relevant corrective measures are determined based on the following classifications:

Class	Capital ratio
Class I	Equal to or greater than 10%
Class II	Equal to or greater than 8% and less than 10%
Class III	Equal to or greater than 7% and less than 8%
Class IV	Equal to or greater than 4% and less than 7%
Class V	Less than 4%

The general rules of Article 134 Bis of the Mexican Banking Law further provide that corrective measures applicable to banks classified in Class III, IV and V include, among others, requiring a bank to suspend payment of interest and, if ordered by the CNBV, defer payment of any principal on outstanding subordinated debt or exchange outstanding convertible subordinated debt into shares of the bank in the amount necessary to cover the capital deficiency; in the event that the bank issues subordinated debt, a bank must include in the relevant debt documentation, in the applicable indenture and in the applicable offering memorandum, that such suspension of payment of interest and deferral of payment of principal shall apply to subordinated debt in the event that a bank is classified in Class III, IV or V and that the implementation of such measures shall not be considered a default under the relevant debt documentation.

We are currently classified as Class I and our Capital Ratio was 14.92% as of December 31, 2009.

(i) The accrual and payment of interest due on the Notes and payment of principal thereof will resume:

(1) if the Suspension Period was triggered by a Capital Ratio Event, when our Capital Ratio is no longer below, or our board of directors reasonably determines that there is no longer a risk that our Capital Ratio will decline below, the minimum percentage required, from time to time, by the Mexican Capitalization Requirements; or

(2) if such Suspension Period was triggered by a Mexican Regulatory Event, when the related Mexican Regulatory Event has terminated; or

(3) if dividends or other distributions are paid by us on or in respect of our capital stock, other than the Dividend Exceptions (as defined below).

Notwithstanding anything in this offering memorandum to the contrary, a Suspension Period shall not give rise to any Event of Default under the indenture or the Notes.

We must give the trustee notice of any Suspension Period affecting the Notes at least five Business Days prior to the earlier of (1) the date the interest due on the Notes or the principal thereof would have been payable except for such Suspension Period and (2) the date the trustee is required to give notice to any securities exchange or to holders of the Notes of the record date or the date such interest or principal, as applicable, is payable but in any event not less than five Business Days prior to such record date. We must also give the trustee notice of the termination of any Suspension Period not more than three Business Days after the Suspension Period is no longer in effect.

During any Suspension Period, we shall not:

(1) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock (which includes common and preferred stock);

(2) make any payment of principal of or premium, if any, or interest on or repay, repurchase or redeem any of our debt securities that rank *pari passu* with or junior in right of payment and in liquidation to the Notes; or

(3) to the extent any such guaranty is permitted under applicable law, make any guaranty payments with respect to any guaranty by us of the debt securities of any of our subsidiaries if such guaranty ranks *pari passu* with or junior in right of payment and in liquidation to the Notes; provided, however, that (x) the foregoing shall not, to the extent permitted by the Mexican Capitalization Requirements or applicable law, prohibit payment of the Dividend Exceptions, and (y) the foregoing shall not apply to the extent that we obtain prior regulatory consent for any action that would otherwise be prohibited and resume full payment of interest due (including payment of any previously accrued interest due) on the Notes and principal thereof for the period in which such action is taken. Subject to the foregoing, we shall pay interest due on the Notes and principal thereof so long as we are paying dividends or other distributions on or in respect of our capital stock.

For purposes hereof, "Dividend Exceptions" shall mean (1) dividends or distributions in shares of or options, warrants or rights to subscribe for or purchase shares of, our common stock, (2) any declaration of a stock dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan in the future, (3) any reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock, (4) the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (5) purchases of common stock related to the issuance of common stock or rights under any of our benefit plans for our directors, officers or employees and (6) other equivalent transactions not involving payments or distributions in cash.

Subordination

The indenture for the Notes provides that the Notes (i) constitute Subordinated Non-Preferred Indebtedness (obligaciones subordinadas no preferentes), (ii) will be subordinate and junior in right of payment and in liquidation to all Senior Indebtedness and Subordinated Preferred Indebtedness (obligaciones subordinadas preferentes) and (iii) will be senior only to all classes of our capital stock. No payment of principal (including redemption payments), premium, if any, or interest on the Notes may be made at any time when (1) any Senior Indebtedness or Subordinated Preferred Indebtedness is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (2) the maturity of any Senior Indebtedness or Subordinated Preferred Indebtedness has been accelerated because of a default.

In the event of the acceleration of the maturity of the Notes due to our insolvency or liquidation and upon any distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, concurso mercantil, quiebra or similar proceedings in connection with our insolvency or bankruptcy, (1) all principal, premium, if any, and interest due or to become due on all Senior Indebtedness must be paid in full before the holders of Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness (including the Notes) are entitled to receive or retain any payment in respect thereof, (2) all principal, premium, if any, and interest due or to become due on all Subordinated Preferred Indebtedness must be paid in full before the holders of Subordinated Non-Preferred Indebtedness (including the Notes) are entitled to receive or retain any payment in respect thereof and (3) the holders of Subordinated Non-Preferred Indebtedness (including the Notes) will be entitled to receive *pari passu* among themselves any payment in respect thereof. The Notes and all other Subordinated Non-Preferred Indebtedness will be senior to all classes of our capital stock.

Definitions

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 (including the Notes), and any deferrals, renewals or extensions of such Senior Indebtedness;

(2) The term Subordinated Preferred 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, which terms specifically provide that it is junior in right of payment and in liquidation to Senior Indebtedness, but is senior in right of payment and in liquidation to Subordinated Non-Preferred Indebtedness (including the Notes, our 2017 Notes, our 2015 Notes and our 2014 Debentures) and all classes of our capital stock, and any deferrals, renewals or extensions of such Subordinated Preferred Indebtedness;

(3) The term Subordinated Non-Preferred Indebtedness (which includes the Notes, our 2017 Notes, our 2015 Notes, our 2022 Notes and our 2014 Debentures) 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, which terms specifically provide that it is junior in right of payment and in liquidation to Senior Indebtedness and Subordinated Preferred Indebtedness, but is senior in right of payment and in liquidation to all classes of our capital stock, and any deferrals, renewals or extensions of such Subordinated Non-Preferred Indebtedness; and

(4) 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 Subordinated Non-Preferred 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.

No Limitation on Additional Indebtedness

The indenture places no limitation on the amount of additional Senior Indebtedness, Subordinated Preferred Indebtedness or Subordinated Non-Preferred Indebtedness that we may incur. We may incur from time to time additional indebtedness constituting Senior Indebtedness, Subordinated Preferred Indebtedness or Subordinated Non-Preferred Indebtedness.

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. In the event of such a Withholding Tax Redemption, we are required by Banco de México to obtain its authorization prior to the applicable Redemption Date.

If we were to effect such a Withholding Tax Redemption with respect to the Notes, we would, to the extent required by Mexican law, have to issue or have issued prior to the applicable Redemption Date securities or other instruments that are eligible to be computed as Tier 1 Capital for the same principal amount pursuant to the Rules for Capitalization.

Our obligation to obtain Banco de México's authorization to redeem the Notes and the summary of Mexican regulations described in the preceding paragraphs are included herein for information purposes only and shall not grant any rights to the trustee or the holders of the Notes.

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).

Special event redemption

We also have the option under the indenture to redeem the Notes at any time prior to the Maturity Date, in whole but not in part, at the Special Event Price (as defined below) upon the occurrence of a Special Event (as defined below) affecting the Notes, a Special Event Redemption; provided, however, in the event of such a Special Event Redemption with respect to the Notes, we shall be in compliance with applicable Mexican regulations in effect on the applicable Redemption Date. In the event of such a Special Event Redemption of the Notes, we are required by Banco de México to obtain its authorization prior to the Redemption Date to redeem the Notes.

If we were to effect such a Special Redemption with respect to the Notes, we would, to the extent required by Mexican law, have to issue or have issued prior to the applicable Redemption Date securities or other instruments that are eligible to be computed as Tier 1 Capital for the same principal amount pursuant to the Rules for Capitalization.

Our obligation to obtain Banco de México's authorization to redeem the Notes and the summary of Mexican regulations described in the preceding paragraph relating to the Notes are included herein for information purposes only and shall not grant any rights to the trustee or the holders of the Notes.

For the purposes of the foregoing:

(1) The term Special Event in respect of the Notes is defined in the indenture to mean a Capital Event or a Tax Event (both as defined below);

(2) The term Capital Event in respect of the Notes is defined in the indenture to mean the reasonable determination by us that, as a result of (a) the occurrence of any amendment to or change in, the laws or any

regulations thereunder of Mexico or (b) any official administrative pronouncement or judicial decision interpreting or applying these laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of issuance of the Notes, there is more than an insubstantial risk that we will not be entitled to treat the Notes as Tier 1 Capital, or the then equivalent of Tier 1 Capital for purposes of the Rules for Capitalization and Mexican Capitalization Requirements, as then in effect and applicable to us;

(3) The term Tax Event in respect of the Notes is defined in the indenture to mean the receipt by us of an opinion of a nationally recognized law firm experienced in such matters to the effect that, as a result of a Change in Tax Law, there is more than an insubstantial risk that interest payable by us on the Notes is not or will not be deductible by us in whole or in part for Mexican income tax purposes;

(4) The term Special Event Price in respect of the Notes is defined in the indenture to mean an amount equal to (a) 100% of the principal amount of the Notes to be prepaid plus any accrued and unpaid interest due to the date of prepayment plus (b) the Make Whole Amount in respect the Notes;

For purposes of the Notes:

(a) The term Make-Whole Amount is defined in the indenture to mean an amount, determined by us, equal to the excess, if any, of (i) the present value of the remaining scheduled payments of principal and interest to the Maturity Date, computed by discounting such payments on a semiannual basis on each Interest Payment Date (assuming a 360-day year of twelve 30-day months) using a discount rate equal to the Treasury Yield plus 0.50% over (ii) the outstanding principal amount of the Notes plus accrued interest thereon to (but excluding) the applicable date of prepayment. The date of determination of such Make-Whole Amount shall be the third Business Day prior to the applicable payment date;

(b) The term Treasury Yield is defined in the indenture to mean, as of any date of determination, an interest rate (expressed as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semiannual yield to maturity for United States Treasury securities maturing on the Maturity Date, and trading in the public securities markets either as determined by interpolation between the most recent weekly average yield to maturity for two series of United States Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the Maturity Date, and (B) the other maturity as close as possible to, but later than the Maturity Date, in each case as published in the most recent H.15 (519) or, if a weekly average yield to maturity for United States Treasury securities maturing on the Maturity Date is published in the most recent H.15 (519), such weekly average yield to maturity as published in such H.15 (519); and

(c) The term H.15 (519) is defined in the indenture to mean the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System and most recent H.15 (519) means the H.15 (519) published prior to the close of business on the third Business Day prior to the applicable payment date.

Redemption procedures

If we give a notice of a Withholding Tax Redemption or Special Event 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.

In the event of a partial optional prepayment of the Notes, the Notes shall be redeemed from each holder thereof pro rata according to the aggregate principal amount of the Notes held by the relevant holder in relation to the aggregate principal amount of all Notes. In respect of the Notes held by DTC or its nominee, the distribution of the proceeds from such redemption will be made to DTC or its nominee and disbursed by DTC or its nominee in accordance with the procedures applied by DTC or its nominee. In determining the proration of the Notes to be redeemed, we may make such adjustments as may be appropriate in order that only the Notes in authorized denominations shall be redeemed, subject to the minimum denominations set forth in this offering memorandum.

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.

Events of Default, Notice and Waiver

An Event of Default is defined in the indenture as:

- a default for 30 calendar days in the payment of interest due and payable on the Notes, as applicable under the indenture, other than during a Suspension Period;
- a default in the payment of the principal due and payable of the Notes, as applicable under the indenture, except during a Suspension Period; or
- certain events involving our bankruptcy (including concurso mercantil or quiebra), liquidation or dissolution.

The payment of the principal of the Notes may be accelerated only upon the occurrence of an event of default described in the last bullet point above, referred to as a Bankruptcy Event of Default. There is no right of acceleration of the payment of principal of the Notes upon the occurrence of any of the other Events of Default noted above, including a default in the payment of principal or interest. If payment of the principal of the Notes is accelerated, we or the trustee shall promptly notify holders of our Senior Indebtedness, Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness of the acceleration. If an Event of Default occurs under the indenture and is continuing, the trustee may pursue any available remedy (excluding acceleration, except as provided above) under the Indenture to collect the payment of due and unpaid principal of and interest on the Notes, or to enforce the performance of any provision of the Notes or the Indenture.

If a Bankruptcy Event of Default occurs and is continuing, the Notes will become immediately due and payable without any declaration or other act on the part of the trustee or any holder of the Notes. The Notes will become immediately due and payable at their principal amount together with accrued interest up to (but excluding) the date of payment without further action by any person. For the avoidance of doubt, no Mexican

Regulatory Event will constitute our bankruptcy (including concurso mercantil or quiebra), liquidation or dissolution, nor during a Suspension Period in respect of the Notes, will a deferral in the payment of principal of the Notes or cancellation of the accrual and payment of interest on the Notes entitle the holders of the Notes to accelerate the payment of principal of the Notes. In the event of a concurso mercantil, holders of the Notes may not be able to collect the full amount payable under the Notes and other bankruptcy rules may affect the timing or amount paid to holders of the Notes. See "Risk Factors—If we do not satisfy our obligations under the Notes, your remedies will be limited."

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 to the cancellation and deferral provisions set forth in the Note and the indenture and certain other limitations and conditions, 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.

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 any event, the authorization of Banco de México is required for any amendment to any provision of the Notes or the indenture. 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 and the approval of 75% of the members of our board of directors, 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;
- 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; or
- modify the subordination provisions relating to the Notes in any manner adverse to the holders of the Notes.

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.

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) we are, or any successor entity is, as the case may be, not, immediately after any such transaction, in default under the indenture.

Restrictions Applicable to Mexican Financial Institutions

Unless otherwise permitted by applicable law, the indenture will provide that the Notes (a) may not constitute collateral granted in favor of Mexican credit institutions (instituciones de crédito) including us and (b) may not be acquired by us for our own account or by any of the following entities:

(a) Mexican financial entities (*entidades financieras*) of any kind that acquire the Notes for its own account except for (1) investment companies that invest in debt and common instruments (*sociedades de inversion en instrumentos de deuda o comunes*), (2) securities brokers (*casas de bolsa*) that acquire the Notes for placement with investors, and (3) insurance companies (*instituciones y sociedades mutualistas de seguros*) and bonding companies (*instituciones de fianzas*) to the extent they acquire the Notes to invest their technical reserves; provided, however, that the exceptions referred to in (1) and (2) of this paragraph shall not apply to (x) investment companies in which we or any other entity that forms part of our financial group holds, directly or indirectly, the majority of its fixed capital and (y) financial entities that form part of our financial group;

(b) Mexican or non-Mexican entities with respect to which we (1) own voting stock representing at least 51 percent of their outstanding paid-in capital, (2) have control of the shareholders' meetings of such entity or (3) are in a position to appoint the majority of the members of such entity's board of directors;

(c) Mexican pension or retirement funds if managed by us or another entity that forms part of our financial group; and

(d) We or another entity that forms part of our financial group acting in its capacity of trustee, representative, agent or attorney-in-fact if, by acting in such capacity, it has discretionary investment authority; provided, however, that any Mexican financial entity or Mexican pension or retirement fund that is not otherwise prevented from investing in the Notes may acquire, together with any other such entity that is an affiliate or that forms part of the same financial group on a collective basis, up to 10% of the principal amount of the Notes.

Notices

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.

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.

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.

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: TWO YEARS] [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 governmental, church or non-U.S. plan, 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, the service provider exemption (as described in "Certain ERISA Considerations") 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 securities 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, 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 persons 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.

We believe that the Notes should be treated as our debt instruments for United States federal income tax purposes and, in the absence of any change or clarification in the law, by regulation or otherwise, requiring a different characterization of the Notes, intend to so treat the Notes, including, where required, filing information returns with the Internal Revenue Service, or the IRS, in accordance with this treatment. Prospective investors in the Notes should be aware, however, that the IRS is not bound by our characterization of the Notes as indebtedness, and the IRS could possibly take a different position as to the proper characterization of the Notes for United States federal income tax purposes which may affect the timing and character of income, gain or loss recognized in respect of a note. In addition, prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to the tax treatment of the Notes and no assurance can be given that the IRS will not take contrary positions to the tax consequences described herein. The following discussion of the principal United States federal income tax consequences of the acquisition, ownership and disposition of the Notes is based upon the assumption that each note will be treated as our debt instrument for United States federal income tax purposes.

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.

Interest income and original issue discount

As previously stated, we intend to treat the Notes as debt for United States federal income tax purposes, and the following discussion is based on the assumption that such treatment will apply for such federal income tax purposes.

Under the applicable Treasury regulations and based upon certain representations, facts and assumptions provided by the Issuer, the Notes will not be treated as issued with original issue discount, or OID, within the meaning of Section 1273(a) of the Code. Treasury regulations under Section 1273 of the Code provide that debt instruments like the Notes will not be considered issued with OID by reason of a suspension period (during which interest is canceled or deferred and payment of principal is deferred) if the likelihood of such a suspension period is "remote." We have concluded, and this discussion assumes, that, as of the date of this offering memorandum, the likelihood of the occurrence of a suspension period is "remote" within the meaning of the applicable regulations. Accordingly, except as set forth below, stated interest on the Notes (including the amount of any withholding taxes and any additional amounts paid with respect thereto) generally will be taxable to a United States holder as ordinary interest income at the time it is paid or accrued in accordance with such holder's regular method of accounting for United States federal income tax purposes.

If, however, we suspend or defer payments of stated interest on the Notes, the Notes may become OID instruments at such time. If the Notes are treated as OID instruments, a determination will be made whether and to what extent income must be accrued with respect to the Notes. If it is determined at that time to be significantly more likely than not that there will be no further payments on the Notes before the Notes are redeemed or reach maturity, no income accrual will be necessary. A change in circumstances at a later date that is contrary to the assumptions underlying the initial determination may require a new determination at such time. Holders of the Notes should seek the advice of their tax advisors in the event that we suspend or defer payments on the Notes.

The Treasury regulations described above have not yet been addressed in any rulings or other interpretations by the IRS in situations similar to those of the Notes, and it is possible that the IRS could take a contrary position. If the IRS were to assert successfully that the stated interest on the Notes was OID regardless of whether we exercise our option to suspend payments of interest and on such Notes, all holders of the Notes would be required to include such stated interest in income on a daily economic accrual basis.

Redemption and sale of the Notes

Under certain circumstances described in this offering memorandum, the Notes may be redeemed for cash. See "Description of the Notes." Under current law, such a redemption would, for United States federal income tax purposes, constitute a taxable disposition of the redeemed Notes, and a United States holder would recognize gain or loss as if it had sold such redeemed Notes for cash as described below.

A United States holder that sells Notes 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 a 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 corporations and certain other persons 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.

In addition, a United States Holder should be aware that recently enacted legislation imposes new reporting requirements with respect to the holding of certain foreign financial assets, including debt of foreign issuers, if the aggregate value of all of such assets exceeds U.S.$50,000. A United States Holder should consult its own tax advisor regarding the application of the information reporting rules to our Notes and the application of the recently enacted legislation to its particular situation.

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 April 15, 2010 we have agreed to sell to the initial purchasers, the following amount of the Notes. 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 April 15, 2010. 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, April 22, 2010, 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.$ 500,000,000
Goldman, Sachs & Co.	500,000,000
Total	U.S.$1,000,000,000

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 Banco Bilbao Vizcaya Argentaria S.A., which holds a controlling interest in our parent GFBB, will act as joint lead manager in this offering together with Deutsche Bank Securities Inc. and Goldman, Sachs & Co., but will not act as an initial purchaser in this offering. BBVA Securities Inc. is not agreeing to subscribe, underwrite or hold the Notes as principal. Any sale of Notes to an investor by BBVA Securities Inc. shall be made by or through one of the Initial Purchasers.

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 any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us; 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), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of notes, to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes 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 the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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 will make the Notes available for distribution on the Internet through a proprietary web site and/or a third-party system operated by MarketAxess Corporation, an Internet-based communications technology provider. MarketAxess Corporation is providing the system as a conduit for communications between the initial purchasers and their customers and is not a party to any transactions. MarketAxess Corporation, a registered broker-dealer, will receive compensation from the initial purchasers based on transactions conducted through the system. The initial purchasers will make the Notes available to their customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

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 US05533AAA07 and the CUSIP number is 05533AAA0, and for the Regulation S Global Note, the ISIN number is USP1R23DAA49 and the CUSIP number is P1R23DAA4.

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, 2009 and 2008 and for each of the three years ended December 31, 2009 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 and UDI Trusts (the "Institution") as of December 31, 2009 and 2008, and the related consolidated statements of income and changes in stockholders' equity for the each of the three years in the period ended December 31, 2009, of cash flows for the year ended December 31, 2009 and of changes in financial position for the years ended December 31,2008 and 2007, 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 economic conditions. Note 4 describes the accounting criteria established by the Commission in the *General Regulations Applicable to Credit Institutions,* which the Institution uses for the preparation of its financial information, as well as the modifications to such accounting criteria that became effective during 2009 and 2008, some of which were adopted prospectively, thereby affecting comparability with the 2008 and 2007 financial statements. 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. Furthermore, as explained in Note 4, in August 2009, the Commission issued modifications to the consumer portfolio rating methodology, along with accounting guidance allowing institutions to recognize the initial cumulative effect derived from applying the consumer portfolio rating methodology to credit card transactions as a charge to stockholders' equity, or, over a 24-month period. The Institution opted to recognize the effect of this change of methodology in stockholders' equity for 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 and UDI Trusts as of December 31, 2009 and 2008, the results of their operations and changes in their stockholders' equity for each of the three years in the period ended December 31, 2009, their cash flows for the year ended December 31, 2009 and changes in their financial position for the years ended December 31, 2008 and 2007, in conformity with the accounting criteria prescribed by the Commission.

Our audits also comprehended the translation of the 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. The translation of the financial statement amounts into U.S. dollars and the translation of the financial statements into English have been made solely for the convenience of readers outside of Mexico.

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

CPC Jorge Tapia del Barrio

February 15, 2010

BBVA BANCOMER, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
GRUPO FINANCIERO AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2009 AND 2008
(In millions of Mexican pesos)

	As of December 31,		
	2008	2009	2009
			(Thosand of U.S. dollars)
ASSETS			
Cash and cash equivalents	Ps. 161,462	Ps. 141,657	U.S.$10,842
Margin call accounts	11,075	5,872	449
Securities:			
Trading	210,310	201,515	15,423
Available for sale	79,424	117,640	9,004
Held to maturity	12,917	13,656	1,045
Total securities	302,651	332,811	25,472
Debtors from repurchase agreements	43	652	50
Derivatives:			
Trading	108,119	53,944	4,129
Hedging transactions	6,521	5,450	417
Total derivatives	114,640	59,394	4,546
Valuation adjustments derived from hedges of financial assets	1,296	1,028	79
Performing loans:			
Commercial loans:			
Business or commercial activity	197,038	205,536	15,731
Financial entities	10,267	8,732	668
Government entities	45,555	51,462	3,939
Total commercial loans	252,860	265,730	20,338
Consumer	121,060	103,705	7,937
Mortgage	127,725	135,120	10,341
Total performing loans	501,645	504,555	38,616
Non-performing loans:			
Commercial loans:			
Business or commercial activity	2,377	4,378	335
Consumer	9,848	8,798	673
Mortgage	4,195	6,662	510
Total non-performing loans	16,420	19,838	1,518
Total loans	518,065	524,393	40,134
Allowance for loan losses	(25,560)	(26,991)	(2,066)
Total loans, net	492,505	497,402	38,068
Receivable benefits from securitization transactions	—	1,060	81
Receivables, sundry debtors and prepayments, net	24,669	19,707	1,508
Repossessed assets, net	1,513	2,199	168
Property, furniture and equipment, net	16,546	17,745	1,358
Equity investments	1,896	2,263	173
Deferred taxes, net	5,161	6,773	518
Other assets:			
Deferred charges, prepaid expenses and intangibles	2,475	4,828	370
TOTAL ASSETS	Ps.1,135,932	Ps.1,093,391	U.S.$83,682

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, 2009 AND 2008
(In millions of Mexican pesos)

	As of December 31,		
	2008	2009	2009 (Thosand of U.S. dollars)
LIABILITIES			
Deposits:			
Demand deposits	Ps. 325,216	Ps. 355,110	U.S.$27,178
Time deposits:			
The general public	158,921	160,555	12,288
Money market	24,471	27,825	2,130
	183,392	188,380	14,418
Bank bonds	46,619	45,024	3,446
	555,227	588,514	45,042
Interbank loans and loans from other entities:			
Payable on demand	22,441	1,483	114
Short-term	7,787	7,019	537
Long-term	8,592	5,508	422
	38,820	14,010	1,073
Creditors from repurchase agreements	267,622	237,610	18,186
Collaterals sold or delivered in guarantee:			
Security loans	457	8,482	649
	457	8,482	649
Derivatives:			
Trading	119,506	62,696	4,798
Hedge transactions	3,251	1,330	102
	122,757	64,026	4,900
Valuation adjustments derived from hedges of financial liabilities	594	719	55
Other payables:			
Income taxes	1,113	—	—
Employee profit sharing (PTU) payable	30	36	2
Transaction settlement creditors	6,363	13,127	1,005
Margin call accounts creditors	8,514	10,191	780
Accrued liabilities and other	16,303	17,258	1,320
	32,323	40,612	3,107
Subordinated debt	35,620	37,175	2,845
Deferred credits and advanced collections	1,369	3,653	280
Total liabilities	1,054,789	994,801	76,137
STOCKHOLDERS' EQUITY			
Subscribed capital:			
Paid-in capital	21,430	24,138	1,847
Share premium	15,031	15,726	1,204
Earned capital:			
Capital reserves	5,784	6,881	527
Results of prior years	18,100	28,801	2,204
Unrealized gain on available for sale securities	974	2,000	153
Result from valuation of cash flow hedging instruments	659	1,757	134
Result from conversion of foreign subsidiaries	206	144	11
Net income	18,349	18,446	1,412
	80,533	97,893	7,492
Noncontrolling interest in consolidated subsidiaries	610	697	53
Total stockholders' equity	81,143	98,590	7,546
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	Ps.1,135,932	Ps.1,093,391	U.S.$83,682

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, 2009, 2008 AND 2007
(In millions of Mexican pesos)**

	As of December 31,			
	2007	2008	2009	2009
	Pesos	Pesos	Pesos	(Thousand of U.S. dollars)
Interest income	Ps. 91,024	Ps. 108,285	Ps. 99,811	U.S.$ 7,639
Interest expense	(38,788)	(46,831)	(45,561)	(3,487)
Monetary gain (loss), net	(1,556)	—	—	—
Net interest income	50,680	61,454	54,250	4,152
Provision for loan losses	(12,622)	(23,994)	(27,255)	(2,086)
Net interest income after provision for loan losses	38,058	37,460	26,995	2,066
Commission and fee income	24,357	23,712	24,223	1,854
Commission and fee expense	(5,219)	(5,109)	(5,550)	(425)
Trading (loss) income, net	(73)	382	11,352	869
Other operating income (expenses)	313	(1,135)	169	13
Net operating revenues	57,436	55,310	57,189	4,377
Non-interest expense	(30,089)	(31,351)	(33,172)	(2,539)
Operating income	27,347	23,959	24,017	1,838
Other income	3,864	3,712	2,113	162
Other expenses	(4,620)	(4,459)	(2,271)	(174)
Monetary loss	(287)	—	—	—
Income before income taxes	26,304	23,212	23,859	1,826
Current income tax	(1,715)	(9,654)	(7,105)	(544)
Deferred income tax	(4,966)	4,867	1,623	124
Income before share in net income of unconsolidated subsidiaries and affiliates	19,623	18,425	18,377	1,406
Share in net income of unconsolidated subsidiaries and affiliates	142	96	301	23
Income before noncontrolling interest	19,765	18,521	18,678	1,429
Noncontrolling interest	(128)	(172)	(232)	(18)
Net income	Ps. 19,637	Ps. 18,349	Ps. 18,446	Ps. 1,411

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 CHANGES IN STOCKHOLDERS' EQUITY
AS OF DECEMBER 31, 2007
(In millions of Mexican pesos)

	Subscribed Capital		Earned Capital								
	Paid-in Capital	Share Premium	Capital Reserves	Results of Prior Years	Unrealized Losses on Available for Sale Securities, net	Result from Valuation of Cash Flow Hedging Instruments	Results from Holding Non-monetary Assets	Net Income	Minority Interest in Consolidated Subsidiaries	Minority Interest in Capital Notes	Total Stockholders' Equity
Balances at December 31, 2006	Ps.18,945	Ps.16,026	Ps.6,167	Ps. 12,924	Ps. 6	Ps. —	Ps. 10	Ps. 18,608	Ps. 583	Ps. —	Ps. 73,269
Initial recognition of the valuation of hedging instruments for changes in accounting criteria	—	—	—	—	54	2,251	—	(24)	—	—	2,281
Adjusted balances at December 31, 2006	18,945	16,026	6,167	12,924	60	2,251	10	18,584	583	—	75,550
Movements due to stockholders' decisions-											
Transfer of 2006 net income	—	—	—	18,608	—	—	—	(18,608)	—	—	—
Capitalization of restatement	1,354	(546)	(210)	(588)	—	—	(10)	—	—	—	—
Cash dividends paid	—	—	—	(14,931)	—	—	—	—	—	—	(14,931)
Dividends paid by Administradora de Fondos para el Retiro Bancomer, S. A. de C. V.	—	—	—	—	—	—	—	—	(164)	—	(164)
Total	1,354	(546)	(210)	3,089	—	—	(10)	(18,608)	(164)	—	(15,095)
Comprehensive income movements-											
Net income for the year	—	—	—	—	—	—	—	19,637	128	—	19,765
Transfer of adjustment for valuation of hedging instruments	—	—	—	(24)	—	—	—	24	—	—	—
Result from holding non-monetary assets	—	—	—	—	—	—	(3)	—	—	—	(3)
Unrealized gain on available for sale securities	—	—	—	—	457	—	—	—	—	—	457
Incorporation of new companies into the consolidation	—	—	—	—	—	—	—	—	7	—	7
Result from valuation of cash flow hedging instruments	—	—	—	—	—	(1,772)	—	—	—	—	(1,772)
Adjustment for valuation of associated companies	—	—	—	(6)	—	—	—	—	—	—	(6)
Total	—	—	—	(30)	457	(1,772)	(3)	19,661	135	—	18,448
Balances at December 31, 2007	Ps.20,299	Ps.15,480	Ps.5,957	Ps. 15,983	Ps.517	Ps. 479	Ps. (3)	Ps. 19,637	Ps. 554	Ps. —	Ps. 78,903

BBVA BANCOMER, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
GRUPO FINANCIERO AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
AS OF DECEMBER 31, 2008
(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	Ps.20,299	Ps.15,480	Ps.5,957	Ps. 15,983	Ps. 517	Ps.479	Ps. —	Ps. (3)	Ps. 19,637	Ps. 554	$ 78,903
Recognition of correction in the allowance for loan losses of the consumer portfolio and the FOVI-type mortgage portfolio	—	—	—	(1,223)	—	—	—	—	—	—	(1,223)
Balances at January 1, 2008	20,299	15,480	5,957	14,760	517	479	—	(3)	19,637	554	77,680
Movements due to stockholders' decisions:											
Transfer of 2007 net income	—	—	—	19,637	—	—	—	—	(19,637)	—	—
Capitalization of restatement	1,131	(449)	(173)	(480)	—	(32)	—	3	—	—	—
Cash dividends paid	—	—	—	(15,710)	—	—	—	—			(15,710)
Dividends paid by Administradora de Fondos para el Retiro Bancomer, S. A. de C. V.	—	—	—	—	—	—	—	—	—	(113)	(113)
Total	1,131	(449)	(173)	3,447	—	(32)	—	3	(19,637)	(113)	(15,823)
Comprehensive income movements:											
Net income for the year	—	—	—	—	—	—	—	—	18,349	172	18,521
Unrealized gain on available for sale securities	—	—	—	—	(646)	—	—	—	—	—	(646)
Unrealized gain on available for sale restricted securities	—	—	—	—	1,103	—	—	—	—	—	1,103
Result from valuation of cash flow hedging instruments	—	—	—	—	—	212	—	—	—	—	212
Adjustment to goodwill of foreign subsidiaries	—	—	—	(83)	—	—	—	—	—	—	(83)
Adjustment for valuation of subsidiary companies	—	—	—	—	—	—	—	—	—	(3)	(3)
Effect of changes in UDI exchange rates	—	—	—	(24)	—	—	—	—	—	—	(24)
Result from conversion of foreign subsidiaries	—	—	—	—	—	—	206	—	—	—	206
Total	—	—	—	(107)	457	212	206	—	18,349	169	19,286
Balances at December 31, 2008	21,430	15,031	5,784	18,100	974	659	206	—	18,349	610	81,143

BBVA BANCOMER, S. A.,
INSTITUCIÓN DE BANCA MÚLTIPLE,
GRUPO FINANCIERO AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
AS OF DECEMBER 31, 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, 2008	Ps.21,430	Ps.15,031	Ps.5,784	Ps. 18,100	Ps. 974	Ps. 659	Ps.206	Ps.—	Ps. 18,349	Ps. 610	Ps. 81,143
Movements due to stockholders' decisions-											
Transfer of 2008 net income	—	—	—	18,349	—	—	—	—	(18,349)	—	—
Capitalization of restatement	—	—	—	(11,889)	—	—	—	—	—	—	(11,889)
Cash dividends paid	2,708	695	1,097	5,203	—	—	—	—	—	—	9,703
Dividends paid by Administradora de Fondos para el Retiro Bancomer, S. A. de C. V.	—	—	—	—	—	—	—	—	—	(145)	(145)
Total	2,708	695	1,097	11,663	—	—	—	—	(18,349)	(145)	(2,331)
Comprehensive income movements-											
Net income for the year	—	—	—	—	—	—	—	—	18,446	232	18,678
Result from valuation of securities available for sale	—	—	—	—	1,026	—	—	—	—	—	1,026
Result from valuation of cash flow hedging instruments	—	—	—	—	—	1,098	—	—	—	—	1,098
Recognition of the allowance for credit losses of the credit card consumer portfolio derived from the change of rating methodology	—	—	—	(953)	—	—	—	—	—	—	(953)
Adjustment for valuation of subsidiary companies	—	—	—	8	—	—	—	—	—	—	8
Effect of changes in UDI exchange rates	—	—	—	(17)	—	—	—	—	—	—	(17)
Result from conversion of foreign subsidiaries	—	—	—	—	—	—	(62)	—	—	—	(62)
Total	—	—	—	(962)	1,026	1,098	(62)	—	18,446	232	19,778
Balances at December 31, 2009	Ps.24,138	Ps.15,726	Ps.6,881	Ps. 28,801	Ps.2,000	Ps.1,757	Ps.144	Ps.—	Ps. 18,446	Ps. 697	Ps. 98,590

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 CASH FLOWS
AS OF DECEMBER 31, 2009
(In millions of Mexican pesos)

	2009	2009
	Pesos	(Thousand of U.S. dollars)
Net income:	Ps. 18,446	U.S.$ 1,412
Adjustments derived from items not involving cash flows:		
Profit or loss derived from the valuation of investment and financing activities	(51)	(4)
Profit or loss from the valuation of cash and cash equivalents	1657	127
Allowance for loan losses	27255	2,086
Allowance for doubtful accounts	191	15
Depreciation and amortization	2358	180
Provisions	(1424)	(109)
Income taxes	5482	420
Share in net income of unconsolidated subsidiaries and affiliate companies	(301)	(23)
Minority interest	232	(18)
	35399	2710
Operating activities:		
Change in memoranda accounts	5,203	398
Change in investments in securities	(28,739)	(2,200)
Change in debtors from repurchase agreement	(609)	(47)
Change in derivatives (assets)	54,175	4,146
Change in loan portfolio	(32,575)	(2,493)
Change in profits receivables from securitized transactions	(1,060)	(81)
Change in repossessed assets	(686)	(53)
Change in other operating assets	4,223	323
Change in deposits	33,287	2,548
Change in interbank loans and other loans from other entities	(24,810)	(1,899)
Change in creditors from repurchase agreements	(30,012)	(2,297)
Change in collateral sold or delivered in guarantee	8,025	614
Change in derivatives (liabilities)	(56,810)	(4,348)
Change in subordinated debt	1,555	119
Change in other operating liabilities	13,110	1,003
Change in income taxes	(9,922)	(759)
Other	631	48
Net cash used in operating activities	(65,014)	(4,978)
Investment activities:		
Proceeds from the disposal of real property, furniture and fixtures	216	17
Payments for the acquisition of real property, furniture and fixtures	(4,325)	(331)
Proceeds from the disposal of subsidiaries and associated companies	63	5
Payments for the acquisition of subsidiaries and associated companies	(132)	(10)
Collection of cash dividends	28	2
Payments for the acquisition of intangible assets	(159)	(12)
Other	(339)	(26)
Net cash used in investment activities	(4,648)	(355)
Financing activities:		
Cash dividend payments	(11,889)	(910)
Merger effect of BBVA Bancomer Servicios (cash and cash equivalents acquired)	9,703	743
Cash dividend payments to minority interest of Afore Bancomer	(145)	(11)
Net cash used in financing activities	(2,331)	(178)
Net decrease in cash	(18,148)	(1,389)
Cash flow adjustments from exchange rate fluctuations	(1,657)	(127)
Cash and cash equivalents at the beginning of the year	161,462	12,358
Cash and cash equivalents at the end of the year	Ps. 141,657	U.S.$ 10,842

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 AND 2007
(In millions of Mexican pesos)

	2007	2008
Operating activities:		
Income from continuing operations	Ps. 19,765	Ps. 18,521
Add (less)-Charges (credits) to income not affecting cash:		
Fair value results	(3,844)	5,678
Provision for loan losses	12,623	23,994
Depreciation and amortization	1,860	1,944
Deferred taxes	4,966	(4,867)
Provision for accrued liabilities	(582)	490
Share in net (income) loss of unconsolidated subsidiaries and affiliates	(149)	(104)
	34,639	45,656
Changes in operating-related items –		
Deposits	57,171	78,699
Loan portfolio	(88,553)	(71,128)
Treasury financial instruments	4,174	(199)
Trading derivatives	252	2,097
Interbank and other loans	(174)	13,309
Resources provided (used in) by operating activities	7,509	68,434
Financing activities:		
Subordinated debt	15,101	12,160
Cash dividends paid by Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (minority interest)	(164)	(113)
Cash dividends paid	(14,931)	(15,710)
Stockholders' equity	—	(1,124)
Other payables	(13,630)	4,127
Resources provided (used in) by financing activities	(13,624)	(660)
Investing activities:		
Property, furniture and equipment, net	(2,876)	(2,852)
Equity investments	843	25
Repossessed assets, net	(361)	(407)
Other assets, other liabilities, deferred charges and credits, net	4,921	875
Other receivables	4,764	(13,130)
Net resources provided by investing activities	7,291	(15,489)
Net increase (decrease) in cash and due from banks	1,176	52,285
Cash and due from banks at beginning of year	119,076	120,252
Cash and due from banks at end of year	Ps. 120,252	Ps. 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, 2009 AND 2008
(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 of BBVA Bancomer, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and Subsidiaries and UDI Trusts (the "Institution") used in preparing the accompanying financial statements 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"), 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, with which the Institution complies 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.

As a result of the global economic downturn which gathered pace in the final quarter of 2008, the world financial markets have experienced extreme volatility as a result of the bankruptcy and financial rescue of certain financial institutions, mainly in the United States of America. This has resulted in an aversion to risk in the local investing environment, as reflected by a drop in stock markets, a credit crunch and a market liquidity crisis, together with a depreciation of approximately 30% of the Mexican peso against the US dollar. This situation has also resulted in significant growth in the non-performing portfolio of the Institution.

During 2009, certain signs of a probable economic recovery became apparent. However, the consequences of the 2008 financial crisis continued to affect the Company's operating performance as evidenced by a reduced financial margin, which is due to decreased interest income and increased reserves, primarily based on the impairment of credit card loans.

(In millions of Mexican pesos)

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 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, its UDI Trusts, those of its subsidiaries in which control is exercised, and those of trusts through the securitized transactions performed in 2009. Equity investments in mutual funds are valued according to the equity method, in conformity with accounting criteria prescribed by the Commission. All significant intercompany balances and transactions have been eliminated in consolidation.

As of December 31, 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.

Company	Participation	Activity
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 –

On April 27, 2009, the Commission published a Ruling in the Federal Official Gazette to amend the Regulations. The main changes to accounting criteria are explained below.

Investments in securities –

The concept of applied cost is introduced to the valuation of securities held to maturity, in which decreases in value due to impairment are recognized in results, while establishing certain restrictions for the classification of securities in this category. Securities held to maturity can be reclassified as available for sale. Transfers of securities to held to maturity, or from trading to available for sale may be carried out with the authorization of the Commission. The result obtained from selling securities is recognized as a purchase-sale result instead of a valuation result. Transaction costs incurred to acquire investments in securities are recognized according to the classification of the investment; transactions costs for trading securities are recognized in results, while costs incurred in the acquisition of available for sale and held to maturity securities are recognized as part of the investment cost.

Repurchase agreements and securities loans –

In 2009, these transactions are recognized in accordance with the economic substance of the transaction as financing with collateral and the premium is recognized based on accrued interest and not at present value. A similar accounting treatment is applicable to securities loans because both transactions involve the temporary transfer of financial assets in exchange for collateral, while the restriction applicable to the securities loan position must be disclosed in financial information. Likewise, this criterion allows institutions to include in their repurchase agreements debt instruments, regardless of their classification. This modification was early adopted by the Institution in 2008 with the Commission's authorization.

Derivative financial instruments –

Derivatives embedded in lease and regular purchase-sale contracts must be recognized. Assets and liabilities valued at their fair value through results can be recognized as hedged items. Hedge effectiveness tests are required in all cases, while the ineffective portion of the hedge is now recognized in results instead of comprehensive income. The presentation of these items in the balance sheet has been modified. Likewise, the transaction costs related to the acquisition of derivative financial instruments must be directly recognized in the results of the period in which they are incurred.

Loan portfolio –

The commissions collected by institutions for annual credit card fees are applied over 12 months, as is also the case for commissions derived from unused credit lines and the costs and expenses associated with their granting. The direct and incremental costs and expenses incurred to originate loans must be recognized as a deferred expense applied as an interest expense during the period in which revenue is recognized for collected commissions. These changes will be applied prospectively as the effects of retrospective application in prior years is impracticable.

Securitized transactions and the consolidation of special-purpose entities –

As of January 1, 2009, securitized transactions must fulfill the requirements established in accounting criterion C-1 in order to be considered a sale. If this is not the case, these assets must remain on the balance sheet, together with the respective debt issuances and the effects on results based on this criterion. Furthermore, an entity must consolidate a special-purpose entity (SPE) that it controls based on an evaluation of the economic basis of the relationship between both entities.

Presentation and disclosure –

Beginning in 2009, the Institution is required to report a cash flow statement instead of a statement of changes in financial position. As this is a prospective requirement, the Institution has presented a cash flow statement and a statement of changes in financial position for the years ended December 31, 2009 and 2008, respectively. In 2009, employee statutory profit-sharing is presented as a part of operating expenses instead of income taxes. In general terms, the structure of the financial statements has been changed and disclosure requirements increased for certain headings

Changes in MFRS –

As of January 2009, the following MFRS went into effect, after their issuance by CINIF during 2008:

– **NIF B-7, *Business Acquisitions*,** requires valuation of noncontrolling interest (formerly minority interest) at fair value, as of the date of acquisition, and recognition of the total goodwill at fair value. NIF B-7 also establishes that transaction expenses should not form part of the purchase consideration and restructuring expenses should not be recognized as an assumed liability.

– **NIF B-8, *Consolidated or Combined Financial Statements*,** establishes that special purpose entities over which the Company has control should be consolidated. It also establishes the option of presenting separate financial statements for intermediate controlling entities, provided certain requirements are met. NIF B-8 also requires consideration of potential voting rights to analyze whether control exists.

– **NIF C-7, *Investments in Associated Companies and Other Permanent Investments*,** requires valuation, through the equity method, of investments in special purpose entities over which the Company has significant influence. It also requires consideration of potential voting rights to analyze whether significant influence exists. NIF C-7 establishes a specific procedure and sets a limit for the recognition of losses in associated companies, and requires that the investment in associated companies include the related goodwill.

– **NIF C-8, *Intangible Assets*,** requires that the unamortized balance of preoperating costs as of December 31, 2008 be written off against retained earnings.

– **NIF D-8, *Share-based Payments*,** sets the rules for recognition of transactions involving share-based payments (at fair value of goods received, or fair value of equity instruments granted), including granting employees the option to purchase company shares, thus discontinuing supplemental application of International Financial Reporting Standard No. 2, *Share-based Payments*.

On December 18, 2009, the CINIF issued the Interpretation of Financial Reporting Standards 18 (INIF 18) *Recognition of the Effects of the 2010 Tax Reform on Income Taxes*, the adoption which is mandatory in financial statements for periods ending on or after December 7, 2009, the publication date of the Federal Official Gazette of the Decree amending, incorporating and eliminating certain tax laws.

INIF 18 was issued to address the financial accounting effects of changes in tax consolidation laws, changes in the income tax (ISR) rate and the new prohibition against crediting unapplied business flat tax (IETU) loss carryforwards against ISR.

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.

As mentioned previously, the effects of inflation accumulated up to December 31, 2007 are maintained in the balance sheet.

Inflation rates for the years ended December 31, 2009 and 2008 were 3.57% and 6.53%, 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 yearend by Banco de México.

Margin 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. These securities are stated at fair value in conformity with the following guidelines:

Debt instruments –

– These are valued at fair value, which must include both the principal and accrued interest.

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:*

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. These securities are valued in the same way as trading securities, recognizing the adjustments derived from their valuation in stockholders' equity, net of any related monetary gain or loss.

– *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. 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.

In accordance with official letter number 100-035/2008 dated October 16, 2008, the Commission authorized credit institutions to carry out reclassifications of instruments in the securities portfolio at their individual discretion. For this reason, on November 5, 2008, the Institution informed the Commission of the reclassification of certain trading securities to the category of available for sale, in the amount of Ps.71,831.

Security value impairment –

Credit institutions must evaluate 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 –

Until September 30, 2008, when the Institution was the reselling party, repurchase transactions were recorded net and represented the difference between the fair value of the underlying securities (asset position), which represented the securities receivable under the transaction valued in conformance with the valuation criteria for securities, and the present value of the price at maturity (liability position). When the Institution was the repurchasing party, the net position balance represented the difference between the present value of the price at maturity (asset position) and the fair value of the securities under transaction (liability position), valued as discussed above.

Beginning October 1, 2008, 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, until the maturity of the transaction.

When the repurchasing party sells or gives collateral as a guarantee, the resources derived from the transaction are recognized, together with an account payable for the obligation to restitute the collateral to the securities vendor (initially measured at the agreed price), which is valued, in the case of the sale at fair value or, if given in guarantee for another repurchase transaction, at its applied cost (any difference between the received price and account payable value is recognized in results of the year).

Similarly, if the repurchasing party becomes a reselling party based on the performance of another repurchase transaction with the collateral received in guarantee for the initial transaction, the interest generated by the second repurchase transaction must be recognized in the results of the year when accrued, according to the effective interest method and also affects the account payable valued according to the applied cost.

The memorandum accounts recognized for collateral received by the repurchasing party are canceled when the repurchase transaction matures or in the event of the reselling party's noncompliance.

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 risk positions.

The Institution's policies and standards 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 "Intermediation result" heading.

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 transactions represents the difference between the fair value of the contract and the contracted forward price. If the difference is positive, it is considered as surplus value and presented under assets; however, if negative, it is considered as a shortfall and presented under liabilities.

– *Options:*

Their balance represents the fair value of the premium and they are valued at fair value, recognizing 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 and is closely related to the host contract, these items are not segregated. Accordingly, the main contract issued for debt and issued bonds is recorded based on the criteria and applicable to each contract, albeit at the applied cost in both cases.

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 to 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 accounts under the heading of collateral received by the Institution. The collateral received from other transactions must be presented under the heading of Collateral received and sold or given in guarantee.

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. However, 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 fees collected.

In April 2009, the Commission issued an accounting rule which requires the recognition of incremental costs and expenses incurred to originate loans as a deferred charge, which must be applied to the results of the year as an interest expense during the accounting period in which revenues are recognized for collected commissions. As the Institution considers that the incremental costs and expenses incurred to originate loans 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 applied 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 applied 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.

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 2009 and 2008. 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 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 the 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 December 16, 2008, the Commission renewed the authorization of such internal methodology for a period of two years beginning December 1, 2009.

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	

(In millions of Mexican pesos)

Once the borrower's rating is determined according to this procedure, each loan is initially classified based on the borrower's rating. 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.

(In millions of Mexican pesos)

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, 2009 and 2008, 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 don't 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.

(In millions of Mexican pesos)

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 outstanding payments at the calculation date, the loss severity is considered to be 75%, but as 100% whenever there are 10 or more 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.

(In millions of Mexican pesos)

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 remaining 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 Ps.953, which, had it been recognized in the results of the year, would have reduced the financial margin by Ps.1,323. Likewise, deferred taxes would have increased by Ps.370, while the net profit would have decreased by Ps.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.

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, 2009 and 2008, 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 classification 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. This certification is recorded at fair value.

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 fees collected". 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 Ps.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 Ps.6,545, derived from the Securitization 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 elimination", "Securitized transactions" and "Consolidation of special-purpose entities". After applying these criteria, the Institution eliminated 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.

At December 31, 2009, the heading receivable benefits from securitized transactions, with a balance of Ps.1,060, represents the amount of Fiduciary Certificates derived from unconsolidated securitizations, which are included in the balance sheet in the consolidation of the private securitization trust.

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, the mortality rate, current credit percentage, interest rate, issuance amount and appraisal percentage guarantee, among other items.

The characteristics of securitization contracts executed during 2009 are detailed in Note 13.

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, with a 48-hour term for settlement.

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 operating 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.

(In millions of Mexican pesos)

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 operating 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 –

This item is 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%

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 ISR, and 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”.

Asset tax paid that is expected to be recovered is recorded as a tax credit and is presented in the balance sheet under the heading of “Deferred charges, prepaid expenses and intangibles”.

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 2009 and 2008. 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 –

These are recognized for current obligation the result from a past event, 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 application of costs and expenses incurred to originate loans are included within interest expenses.

Memorandum accounts –

– *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:*

  The balance represents 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 records 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 adjustments derived from the correction of an error which are described in Note 13 and which for practical reasons were not applied on a prospective basis, are not presented by adjusting the financial statements of the earliest period presented (2007), as required by NIF B-1 "Accounting changes and corrections of misstatements", but are presented as an adjustment to the opening balances of the year 2008.

– Until 2008, the costs associated with the granting of the credit (except for mortgage loans) are recognized in results as they are incurred. MFRS require that the costs be matched with the revenue that they generate in the same period.

– Until 2008, the Commission required that the changes in the financial situation be submitted as part of the basic financial statements. Beginning in 2008, MFRS require presentation of a cash flow statement.

– 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.

(In millions of Mexican pesos)

– The initial recognition derived from the new credit card portfolio rating methodology authorized by the Commission described in Note 3 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, 2009 and 2008, cash and due from banks consisted of the following:

	2009	2008
Cash	Ps. 40,098	Ps. 38,240
Banks	10,480	49,410
Restricted funds	90,993	73,702
Other quick funds	86	110
	Ps. 141,657	Ps. 161,462

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 Ps.13.0659 and Ps.13.8325 per U.S. dollar as of December 31, 2009 and 2008, respectively, and are comprised as follows:

	Mexican pesos		U.S. Dollars (in Mexican pesos)		Total	
	2009	2008	2009	2008	2009	2008
Deposits with foreign credit institutions	Ps. —	Ps. —	Ps. 20,364	Ps. 63,175	Ps. 20,364	Ps. 63,175
Delivery currency	—	—	(12,249)	(14,710)	(12,249)	(14,710)
Banco de México	—	41	45	71	45	112
Domestic banks	2,279	833	41	—	2,320	833
	Ps. 2,279	Ps. 874	Ps. 8,201	Ps. 48,536	Ps. 10,480	Ps. 49,410

Circular Telefax 30/2002 of Banco de México included instructions for the creation of a new monetary regulation deposit of Ps.280,000,000 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, 2009 and 2008, the monetary regulation deposits and interest of the Institution are Ps.65,096 and Ps.65,225, respectively, and are included in the balance of “Restricted funds”.

(In millions of Mexican pesos)

As of December 31, 2009 and 2008, restricted funds available are composed as follows:

Restricted Funds	2009	2008
Monetary regulation deposits	Ps. 65,096	Ps. 65,225
Foreign exchange receivables	18,300	7,725
Call money interbank loans	7,597	752
	Ps. 90,993	Ps. 73,702

7. Memoranda Accounts

At December 31, 2009 and 2008, memoranda accounts are composed as follows:

	2009	2008
Collateral granted for OTC derivatives	Ps. 3,531	Ps. 7,548
Derivatives margin in authorized markets	1,826	2,734
Other restricted deposits	355	781
Margin of ADR´s	159	12
Granted loan guarantees	1	—
	Ps. 5,872	Ps. 11,075

(In millions of Mexican pesos)

8. Securities

At December 31, 2009 and 2008, financial instruments were as follows:

a. ***Trading –***

Instrument	2009 Acquisition Cost	2009 Accrued Interest	2009 Increase (Decrease) due to Valuation	2009 Book Value	2008 Book Value
Equity securities	Ps. 11,186	Ps. —	Ps. 944	Ps. 12,130	Ps. 1,902
BPAS (saving protection bonds)	5,744	—	(3)	5,741	—
Sovereign debt Eurobonds	3,246	85	171	3,502	569
Investment funds	1,023	—	—	1,023	23
Bondes	471	—	—	471	419
T BILLS	129	1	1	131	—
Corporate Eurobonds	41	—	—	41	39
Cetes	4	—	—	4	—
Note with interest payable at maturity	4	—	—	4	322
Stock market certificates	2	—	—	2	881
Interchangeable stock market certificates	1	—	—	1	4
Bank bonds	—	—	—	—	837
Certificates of deposit	—	—	—	—	293
Commercial paper	—	—	—	—	78
Total	Ps. 21,851	Ps. 86	Ps. 1,113	Ps. 23,050	Ps. 5,367

During 2009 and 2008, the net decrease in fair value recognized in the income statement was Ps.1,814 and Ps.641, respectively.

At December 31, 2009, the remaining periods of these investments were as follows:

Instrument	Within 1 Month	Between 1 and 3 Months	Over 3 Months	No Fixed Term	Acquisition Cost
Equity securities	Ps. —	Ps. —	Ps. —	Ps. 11,186	Ps. 11,186
BPAS (saving protection bonds)	—	—	5,744	—	5,744
Sovereign debt Eurobonds	32	8	3,206	—	3,246
Investment funds	—	—	—	1,023	1,023
Bondes	471	—	—	—	471
TSBILLS	—	129	—	—	129
Corporate Eurobonds	—	—	41	—	41
Cetes	4	—	—	—	4
Note with interest payable at maturity	4	—	—	—	4
Stock market certificates	—	—	2	—	2
Interchangeable stock market certificates	—	—	1	—	1
Total	Ps. 511	Ps. 137	Ps. 8,994	Ps. 12,209	Ps. 21,851

(In millions of Mexican pesos)

The collaterals granted as of December 31, 2009 and 2008 was composed as follows:

	2009				2008
	Acquisition Cost	Accrued Interests	Increase (Decrease) due to Valuation	Book Value	Book Value
Bondes	Ps. 7,057	Ps. —	Ps. —	Ps. 7,057	Ps. 120
Fixed-rate bonds	1,677	(52)	1	1,626	492
Cetes	2	—	—	2	7
T BILLS	—	—	—	—	8,349
Equity securities	—	—	—	—	1
Bonds guarantee to be received for security loans	8,736	(52)	1	8,685	8,969
Bondes	71,938	(13)	337	72,262	89,914
BPAS (saving protection bonds)	58,124	(45)	1,334	59,413	77,595
Fixed-rate bonds	15,809		(8)	15,801	19,187
Cetes	14,765	—	—	14,765	8,100
Udibonos	1,461	—	—	1,461	1,057
Stock market certificates	744	—	—	744	462
Commercial paper	184	—	—	184	50
Bonds guarantee to be received for repurchase agreements	163,025	(58)	1,663	164,630	196,365
Guarantee T-Bills receivable from derivatives	7,580	34	46	7,660	—
Total	Ps. 179,341	Ps. (76)	Ps. 1,710	Ps. 180,975	Ps. 205,334

Value date purchases at December 31, 2009 and 2008, were composed as follows:

	2009				2008
	Acquisition Cost	Interest Earned	Increase (Decrease) from Valuation	Book Value	Book Value
Fixed-rate bonds	Ps. 905	Ps. 2	Ps.—	Ps. 907	Ps. 10
Cetes	98	—	—	98	—
Equity securities	82	—	(1)	81	1
Udibonds	—	—	—	—	60
	Ps. 1,085	Ps. 2	Ps. (1)	Ps. 1,086	Ps. 71

(In millions of Mexican pesos)

Value date sales at December 31, 2009 and 2008, were composed as follows:

	2009				2008
	Acquisition Cost	Interest Earned	Increase (Decrease) from Valuation	Book Value	Book Value
BPAS (saving protection bonds)	Ps. (2,431)	Ps. (9)	Ps. —	Ps. (2,440)	Ps. —
Fixed-rate bonds	(685)	(2)	—	(687)	—
Equity securities	(368)	—	—	(368)	(36)
Cetes	(101)	—	—	(101)	(381)
Udibonds	—	—	—	—	(45)
	(3,585)	(11)	—	(3,596)	(462)
Total trading securities	Ps. 198,692	Ps. 1	Ps. 2,822	Ps. 201,515	Ps. 210,310

b. ***Available for sale –***

	2009				2008
Instrument	Acquisition Cost	Accrued Interest	Increase (Decrease) due to Valuation	Book Value	Book Value
Fixed-rate bonds	Ps. 31,754	Ps. 48	Ps. (42)	Ps. 31,760	Ps. —
Sovereign debt Eurobonds	7,447	179	291	7,917	1,433
Stock market certificates	4,032	3	11	4,046	152
Visa Shares	—	—	3,307	3,307	2,085
Certification for Trust Invex securitization	164	—	—	164	1,316
Equity securities	2	—	—	2	—
Cetes	—	—	—	—	1,300
Bank bonds	—	—	—	—	213
Debentures	—	—	—	—	125
Total	Ps. 43,399	Ps. 230	Ps. 3,567	Ps. 47,196	Ps. 6,624

At December 31, 2009, the remaining scheduled maturities of the above instruments were as follows:

Instrument	Over 3 Months	No fixed Term	Acquisition Cost
Bank bonds	Ps. 31,754	Ps. —	Ps. 31,754
Sovereign debt Eurobonds	7,447	—	7,447
Stock market certificates	4,032	—	4,032
Certification for Trust Invex securitization	—	164	164
Equity securities	—	2	2
Total	Ps. 43,233	Ps. 166	Ps. 43,399

(In millions of Mexican pesos)

Collateral granted as of December 31, 2009 and 2008 was as follows:

Instrument	2009 Acquisition Cost	2009 Accrued Interests	2009 Increase (Decrease) due to Valuation	2009 Book Value	2008 Book Value
Fixed-rate bonds	Ps. 51,780	Ps. (24)	Ps. 416	Ps. 52,172	Ps. 61,028
Cetes	10,003	—	—	10,003	2,956
Cedes	3,950	—	(1)	3,949	1,997
Stock market certificates	3,128	—	(26)	3,102	6,819
BPAS (saving protection bonds)	1,000	—	—	1,000	—
Bonos Ibrd	218	—	—	218	—
Total guarantees to be received for repurchase agreements	Ps. 70,079	Ps. (24)	Ps. 389	Ps. 70,444	Ps. 72,800
Total securities available for sale	Ps. 113,478	Ps. 206	Ps. 3,956	Ps. 117,640	Ps. 79,424

Assignment of Visa shares to BBVA Bancomer

On March 28, 2008, Visa Inc. (VISA) issued 406 million class A shares, through an initial public offering (IPO), converting the regional shares into a multiclass share structure, in order to reflect the different rights and obligations of the shareholders (Classes A, B, and C).

Given the above, the Institution received series C class I shares on the date of the initial placement performed on March 18, 2008. As established in the placement prospectus, VISA purchased part of the series C class I shares from the Institution, representing 56% of the shares received at a per-share price of USPs.44, less a 2.8% commission, and income of Ps.1,685 was recognized in earnings in the heading "Trading income (loss), net". The initial valuation effect was recognized in earnings for the remaining 44% of the shares, which resulted in the recognition of additional income of Ps.1,358 in the same heading.

c. ***Held to maturity –***

The following securities have medium and long-term maturities:

Instrument	2009 Acquisition Cost	2009 Accrued Interest	2009 Book Value	2008 Book Value
Government bonds- Mortgage debtor support program	Ps. 11,974	Ps. 45	Ps. 12,019	Ps. 11,364
Government bonds- State and Municipality debtor support program	1,412	5	1,417	1,336
U.S. Treasury securities	177	3	180	160
Sovereign debt Eurobonds	40	—	40	57
Total	Ps. 13,603	Ps. 53	Ps. 13,656	Ps. 12,917

For the years ended December 31, 2009 and 2008, the yields related to the overall held to maturity portfolio amounted to Ps.753 and Ps.1,042, respectively.

(In millions of Mexican pesos)

9. Repurchase transactions

As of December 31, 2009 and 2008, repurchase transactions were composed as follows:

a. ***Repurchase agreement debtors –***

As repurchasing party:

	2009			2008		
	Asset Side	Liability Side		Asset Side	Liability Side	
Instrument	Receivable Under Repurchase Agreements	Collateral Sold or Delivered in Guarantee	Debit Balance	Receivable Under Repurchase Agreements	Collateral Sold or Delivered in Guarantee	Debit Balance
Government securities						
BPAS (saving protection bonds)	Ps. 23,486	Ps. 22,947	Ps. 539	Ps. 9,232	Ps. 9,216	Ps. 16
Bondes	3,324	3,212	112	7,501	7,474	27
Fixed-rate bonds	1,625	1,624	1	1,430	1,430	—
Cetes	—	—	—	612	612	—
Udibonos	81	81	—	—	—	—
Total	Ps. 28,516	Ps. 27,864	Ps. 652	Ps. 18,775	Ps. 18,732	Ps. 43

b. ***Repurchase agreement creditors –***

As reselling party:

	2009	2008
	Liability Side	Liability Side
Instruments	Payables Under Resale Agreements	Payables Under Resale Agreements
Government securities-		
Bondes	Ps. 71,978	Ps. 89,555
Fixed-rate bonds	67,589	79,134
BPAS (saving protection bonds)	59,150	77,532
Cetes	24,769	11,017
Stock market certificate	8,529	7,280
Cedes	3,950	1,997
Udibonos	1,461	1,057
Secured commercial paper	184	50
Total	Ps. 237,610	Ps. 267,622

(In millions of Mexican pesos)

c. ***Securities loan debtors and creditors:***

Borrower:

	2008			2008		
	Memoranda accounts		Liability portion	Memoranda accounts		Liability portion
Instrument	Collateral Received for Securities Loans	Collateral Received for Loans and Sold or Given in Guarantee	Creditors from Collateral Sold or Given in Guarantee	Collateral Received for Securities Loans	Collateral Received for Loans and Sold or Given in Guarantee	Creditors from Collateral Sold or Given in Guarantee
Government securities						
Bondes	Ps. 1	Ps. 1	Ps. 1	Ps. —	Ps. —	Ps. —
Fixed-rate bonds	7,054	7,054	7,054	457	457	457
Cetes	1,427	1,427	1,427	—	—	—
Total	Ps. 8,482	Ps. 8,482	Ps. 8,482	Ps. 457	Ps. 457	Ps. 457

Premiums were recognized in the results of 2009 and 2008 for the amount of Ps.9 and Ps.38, respectively.

(In millions of Mexican pesos)

10. Derivatives

At December 31, 2009 and 2008, 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, 2009 and 2008. 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:

	2009			
	Notional Amount		Balance	
Transaction	Asset	Liability	Debtor	Creditor
Futures long position	Ps. 135,300	Ps. 135,300	Ps. —	Ps. —
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
	Ps. 1,094,778	Ps. 1,103,530	Ps. 53,944	Ps. 62,696

	2008			
	Notional Amount		Balance	
Transaction	Asset	Liability	Debtor	Creditor
Futures long position	Ps. 159,718	Ps. 159,718	Ps. —	Ps. —
Futures short position	181,130	181,130	—	—
Forward long position	132,366	102,662	16,732	5,608
Forward short position	128,635	166,096	637	19,518
Options purchased	17,034	—	17,034	—
Options sold	—	17,509	—	17,509
Swaps	788,981	792,136	73,716	76,871
	Ps. 1,407,864	Ps. 1,419,251	Ps. 108,119	Ps. 119,506

(In millions of Mexican pesos)

Hedging:

	2009			
	Notional Amount		Balance, net	
Transaction	Asset	Liability	Debtor	Creditor
Forward long position	Ps. 676	Ps. 670	Ps. 6	Ps. —
Forward short position	862	847	15	—
Swaps	31,074	26,975	5,429	1,330
	Ps. 32,612	Ps. 28,492	Ps. 5,450	Ps. 1,330

	2008			
	Notional Amount		Balance, net	
Transaction	Asset	Liability	Debtor	Creditor
Forward short position	Ps. 948	Ps. 948	Ps. —	Ps. —
Swaps	35,949	32,679	6,521	3,251
	Ps. 36,897	Ps. 33,627	Ps. 6,521	Ps. 3,251

a1. ***Futures and forward contracts*** – For the year ended December 31, 2009, the Institution carried out transactions in market recognized (Mexican Derivatives Market (Mex-Der) Chicago and ITAU), generating a US dollar futures loss of Ps.2,982, in IPC futures of Ps.281, in CETES and TIIE futures of Ps.1,626 in fixed-rate bonds futures of Ps.947 and options for Ps.128.

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	Ps. 72,904	Ps. 72,904	Ps. 105,321	Ps. 105,321	Ps. —
	Euro Dollars	5,122	5,122	20,344	20,344	—
	M10 bond	3,919	3,919	3,814	3,814	—
	Index	8,851	8,851	171	171	—
	U.S. dollars	2,857	2,857	4,350	4,350	—
	Cetes	—	—	1,300	1,300	—
		Ps. 93,653	Ps. 93,653	Ps. 135,300	Ps. 135,300	Ps. —
Forwards	U.S. dollars	Ps. 98,557	Ps. 99,241	Ps. 119,583	Ps. 118,128	Ps. 771
	Bonds	4,010	4,014	—	—	(4)
	Index	6,151	6,624	2,915	2,421	21
	Equity securities	721	715	17,014	17,733	(713)
		Ps. 109,439	Ps. 110,594	Ps. 139,512	Ps. 138,282	Ps. 75

(In millions of Mexican pesos)

Hedging:

		Sales		Purchases		
Type of Transaction	**Underlying**	**Receivable**	**Contract Value**	**Contract Value**	**Deliverable**	**Book Balance**
Forwards	US dollar	Ps. 862	Ps. 847	Ps. 676	Ps. 670	Ps. 21

a2. ***Options*** – At December 31, 2009, option transactions were as follows:

Trading:

Type of Transaction		**Underlying**	**Reference Amount**	**Premium Paid**	**Fair Value**
Purchases	OTC Options	Interest rates	Ps. 47,260	Ps. 743	Ps. 817
		Index	34,656	71	4,677
		U.S. dollars	9,047	530	332
	Authorized market options	Equity securities and index	9	—	—
				Ps. 1,344	Ps. 5,826

Type of Transaction		**Underlying**	**Reference Amount**	**Premium Collected**	**Fair Value**
Sales	OTC Options	Interest rates	Ps.105,507	Ps. 1,299	Ps. 770
		Index	36,535	1,086	5,209
		U.S. dollars	9,972	352	343
	Authorized market options	Equity securities and index	59	5	2
				Ps. 2,742	Ps. 6,324

(In millions of Mexican pesos)

a3. ***Swaps*** – At December 31, 2009, swap transactions were as follows:

Trading:

Underlying	Denomination	Contract Value Receivable	Contract Value Deliverable	Receivable	Deliverable	Net Position
Currency	U.S. dollars	Ps. 121,452	Ps. 141,782	Ps. 126,439	Ps. 148,955	Ps.(22,516)
	Mexican pesos	120,253	94,661	119,459	95,509	23,950
	UDI	47,024	58,192	48,231	59,174	(10,943)
	Euro	11,722	11,759	12,893	12,869	24
	Yen	10,182	10,182	10,459	10,424	35
	Colombian peso	5,884	4,714	5,462	5,574	(112)
	Peruvian nuevo sol	863	1,146	933	1,252	(319)
				323,876	333,757	(9,881)
		Contract Value				
Interest rates	Mexican pesos	Ps. 852,254		Ps. 220,110	Ps. 220,457	Ps. (347)
	U.S. dollars	268,932		24,516	24,654	(138)
	Euro	3,304		1,613	83	1,530
				246,239	245,194	1,045
Equity securities	Mexican pesos	Ps. 367		Ps. —	Ps. 705	Ps. (705)
	U.S. dollars	40,866		40,933	39,628	1,305
	Euro	3,524		—	93	(93)
				40,933	40,426	507
				Ps. 611,048	Ps. 619,377	Ps. (8,329)

The Institution entered into nominal interest rate swaps in Mexican pesos with various institutions, agreed to at annual rates ranging from 4.16% to 12.85%. At December 31, 2009, the reference amount of swaps was Ps.852,254.

Hedging:

Underlying	Currency	Contract Value Receivable	Contract Value Deliverable	Receivable	Deliverable	Net Position
Currency	Euro	Ps. 11,247	Ps. —	Ps. 12,325	Ps. —	Ps. 12,325
	Mexican pesos	—	8,743	—	8,820	(8,820)
				12,325	8,820	3,505
Interest rates	Mexican pesos		Ps. 68,147	Ps. 16,720	Ps. 15,632	Ps. 1,088
	U.S. dollars		9,884	2,029	2,523	(494)
				18,749	18,155	594
				Ps. 31,074	Ps. 26,975	Ps. 4,099

(In millions of Mexican pesos)

The Institution entered into nominal interest rate swaps in Mexican pesos with various institutions, agreed to at annual rates ranging from 4.89% to 9.87%. At December 31, 2009, the reference amount of swaps was Ps.68,147.

The collateral received in OTC derivatives as of December 31, 2009 and 2008 is shown below:

	2009			2008
Cash Received as Guarantee of Derivatives	**Acquisition Cost**	**Accrued Interests**	**Book Value**	**Book Value**
Banco Bilbao Vizcaya Argentaria, S.A.	Ps. 4,897	Ps. 1	Ps. 4,898	Ps. —
Credit Suisse First Boston Europe	4,535	—	4,535	4,263
Merrill Lynch Capital Services Inc	377	—	377	289
Calyon Corporate and Investment Bank	335	—	335	384
Royal Bank of Scotland PLC	39	—	39	—
Societe Generale	7	—	7	—
Cemex, S.A.B. de C.V.	—	—	—	1,770
Centro Dist. Cemento S.A. de C.V	—	—	—	1,189
Tenedora Nemak, S.A. de C.V.	—	—	—	197
X Tra Congelados, S. de R.L.	—	—	—	170
Sercotel, S.A. de C.V.	—	—	—	87
Alfa, S.A. de C.V.	—	—	—	79
Citrofrut, S.A. de C.V.	—	—	—	54
Bank of America NA	—	—	—	30
Total cash guarantees received	Ps. 10,190	Ps. 1	Ps. 10,191	Ps. 8,512

a4. ***Transactions with embedded derivatives –***

Trading:

	2009			
	Book Value		**Balance**	
Transaction Type	**Asset**	**Liability**	**Debtor**	**Creditor**
Options acquired	Ps. 33	Ps. —	Ps. 33	Ps. —
Options sold	—	90	—	90
Swaps	229	559	229	559
	Ps. 262	Ps. 649	Ps. 262	Ps. 649

	2009			
	Book Value		**Balance**	
Transaction Type	**Asset**	**Asset**	**Asset**	**Asset**
Options acquired	Ps. 107	Ps. —	Ps. 107	Ps. —
Options sold	—	683	—	683
Swaps	—	423	—	423
	Ps. 107	Ps. 1,106	Ps. 107	Ps. 1,106

(In millions of Mexican pesos)

a5. ***Embedded (underlying) options –***

Trading:

Type of Transaction		Underlying	2009 Nominal Amount	2009 Premium Collected/Paid	2009 Fair Value
Purchases	OTC options	Interest rates	Ps. 6,179	Ps. —	Ps. 4
		Index	507	—	29
			Ps. 6,686	Ps. —	Ps. 33
Sales	OTC options	Interest rates	Ps. 6,179	Ps. 435	Ps. 8
		Index	406	41	82
		US dollar	—	1	—
			Ps. 6,585	Ps. 477	Ps. 90

			2009		
Purchases	OTC options	Interest rates	Ps. 27,385	Ps. —	Ps. 107
		US dollar	17	—	—
			Ps. 27,402	Ps. —	Ps. 107
Sales	OTC options	Interest rates	Ps. 20,545	Ps. 1,328	Ps.(661)
		US dollar	18	8	—
		Index	10	33	(22)
			Ps. 20,573	Ps. 1,369	Ps.(683)

a6. ***Embedded (underlying) swaps –***

Underlying	Currency	2009 Face Value To Be Received	2009 Market Value To Be Received	2009 Market Value To Be Delivered	2009 Fair Value
Interest rates	Mexican peso	Ps. 6,266	Ps. 229	Ps. 559	Ps.(330)

Underlying	Currency	2009 Face Value To Be Received	2009 Market Value To be Received	2009 Market Value To Be Delivered	2009 Fair Value
Interest rates	Mexican peso	Ps. 15,460	Ps. 877	Ps. 1,300	Ps.(423)

(In millions of Mexican pesos)

11. Loan portfolio

Loans granted classified by type of loan at December 31, 2009 and 2008, were as follows:

Type of loan	Performing portfolio		Non-performing portfolio		Total	
	2009	2008	2009	2008	2009	2008
Commercial loans-						
Denominated in Mexican pesos-						
Commercial	Ps.157,354	Ps.140,940	Ps. 2,823	Ps. 1,346	Ps.160,177	Ps.142,286
Rediscounted portfolio	6,132	6,203	63	39	6,195	6,242
Lease portfolio	2,261	1,538	63	49	2,324	1,587
Denominated in U.S. dollars-						
Commercial	38,714	46,879	1,372	884	40,086	47,763
Rediscounted portfolio	939	1,207	57	59	996	1,266
Lease portfolio	136	271	—	—	136	271
Total commercial loans	205,536	197,038	4,378	2,377	209,914	199,415
Financial entities	8,732	10,267	—	—	8,732	10,267
Government entities	51,462	45,555	—	—	51,462	45,555
Total trade loans	265,730	252,860	4,378	2,377	270,108	255,237
Consumer-						
Credit card	64,430	84,742	7,253	8,642	71,683	93,384
Other consumer loans	39,275	36,318	1,545	1,206	40,820	37,524
Total consumer loans	103,705	121,060	8,798	9,848	112,503	130,908
Residential mortgage	135,120	127,725	6,662	4,195	141,782	131,920
Total loan	Ps.504,555	Ps.501,645	Ps.19,838	Ps.16,420	Ps.524,393	Ps.518,065

Commercial loans are detailed below; the distressed and non-distressed current and overdue portfolios at December 31, 2009, 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		
	Current	Past due	Current	Past due	Total
Business or commercial activity	Ps.342	Ps.1,107	Ps.205,524	Ps.3,665	Ps.210,638
Loans to financial entities	3	—	8,728	—	8,731
Loans to government entities	—	—	51,476	—	51,476
	Ps.345	Ps.1,107	Ps.265,728	Ps.3,665	Ps.270,845

(In millions of Mexican pesos)

The restructured and renewed portfolio at December 31, 2009, was as follows:

Restructured Portfolio	Current	Past due	Total
Business or commercial activity	Ps.12,010	Ps. 860	Ps.12,870
Loans to government entities			
Residential mortgage loans	25,476	3,517	28,993
Consumer loans	1,671	3,235	4,906
	Ps.39,157	Ps.7,612	Ps.46,769

At December 31, 2009, the Institution has guarantees consisting of real property and securities for restructured commercial loans of Ps.14,690 and Ps.7,028, respectively.

As of December 31, 2009, 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	Ps. 899	Ps.1,753	Ps.1,726	Ps. 4,378
Consumer loans	8,583	215	—	8,798
Residential mortgage loans	3,224	1,659	1,779	6,662
	Ps.12,706	Ps.3,627	Ps.3,505	Ps.19,838

At December 31, 2009, unaccrued commissions for initially granting credit, by type and average payment period, are as follows:

	By repayment period			
	1 to 5 years	15 years	More 15 years	Total
Business or commercial activity	Ps.462	Ps. 68	Ps. 14	Ps. 544
Residential mortgage loans	2	50	549	601
	Ps.464	Ps.118	Ps.563	Ps.1,145

As of December 31, 2009 and 2008, the balances of overdue credit portfolio fully reserved and eliminated from the balance sheet were as follows:

Item	2009	2008
Credit card	Ps.5,237	Ps.4,350
Commercial	1,315	—
Consumer	1,010	757
Residential mortgage	199	259
Total	Ps.7,761	Ps.5,366

(In millions of Mexican pesos)

As of December 31, 2009 and 2008, the amounts of portfolio sold were as follows:

Item	2009	2008
Credit card and consumer	Ps.10,605	Ps.4,057
Residential mortgage	424	702
Total	Ps.11,029	Ps.4,759

As of December 31, 2009 and 2008, the amounts of the lines of credit recorded in memorandum accounts were Ps.186,629 and Ps.189,021, respectively.

Interest income and commissions classified by type of loan were as follows:

Type of loan	2009 Interest	2009 Commissions	2009 Total	2008 Total
Commercial loans-				
Denominated in Mexican pesos-				
Commercial	Ps.14,272	Ps.562	Ps.14,834	Ps.11,954
Rediscounted portfolio	482	—	482	491
Lease portfolio	129	—	129	156
Denominated in U.S. dollars-				
Commercial	1,711	—	1,711	2,275
Rediscounted portfolio	62	—	62	69
Lease portfolio	9	—	9	14
Total commercial loans	16,665	562	17,227	14,959
Financial entities	739	1	740	768
Government entities	3,861	15	3,876	4,318
Total comercial loans	21,265	578	21,843	20,045
Consumer-				
Credit card	21,610	—	21,610	27,172
Other consumer loans	9,003	145	9,148	9,666
Total consumer loans	30,613	145	30,758	36,838
Residential mortgage	14,167	174	14,341	13,657
	Ps.66,045	Ps.897	Ps.66,942	Ps.70,540

During 2009 and 2008, the Institution made portfolio purchases which include mortgage loans, bridge loans and simple loans from Hipotecaria Nacional, S. A. de C. V., a subsidiary of the Financial Group for an accumulated amount of Ps.495 and Ps.9,936 (nominal value), respectively. Such portfolio was acquired at market value, and subsequently the Institution recognized the required allowances according to its established policies.

As of December 31, 2009 and 2008, the amount of the recoveries of credit portfolio written off or eliminated were Ps.355 and Ps.296, respectively, recognized in the heading “Other operating income (expense)”.

(In millions of Mexican pesos)

At December 31, 2009 and 2008, loans classified by economic sectors were as follows:

	2009		2008	
	Amount	Concentration Percentage	Amount	Concentration Percentage
Foreign (non-Mexican entities)	Ps. 1,466	0.28%	Ps. 3,468	0.67%
Private (companies and individuals)	209,909	40.03%	199,406	38.48%
Financial	7,266	1.39%	6,799	1.32%
Credit card and consumer	112,503	21.45%	130,908	25.27%
Residential mortgage	141,782	27.04%	131,920	25.47%
Government entities	51,462	9.81%	45,555	8.79%
Other past-due loans	5	0.00%	9	0.00%
	Ps.524,393	100.00%	Ps.518,065	100.00%

Related-party loans –

At December 31, 2009 and 2008, loans granted to related parties amounted to Ps.30,090 and Ps.32,441, respectively. The amount of related-party loans at December 31, 2009 and 2008 includes Ps.7,574 and Ps.10,094, 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).

– Additional Benefits Program for Mortgage Debtors-Credits for FOVI type housing.

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, 2009, the balance of the discounts payable by the Federal Government is Ps.1,098, which will be settled together with its respective capitalization of interest at the beginning of June 2010.

Due to the results from the audits of the support programs, during 2008 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 2009 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 Ps.1,253.

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.

(In millions of Mexican pesos)

Risk diversification

At December 31, 2009, 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, 2009, 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 Ps.25,333, thus representing 25.27% 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 Ps.15,635.

At December 31, 2008, the overall UDI-denominated restructured mortgage loan portfolio was comprised as follows:

Description	2008 Total
Performing loans	Ps. 16,611
Accrued interest on performing loan	51
Non-performing loans	443
Accrued interest or non-performing loans	12
Total	Ps. 17,117

(In millions of Mexican pesos)

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:

	2009		2008	
Risk category	Total loans	Allowance	Total loans	Allowance
A	Ps. 380,177	Ps. 2,485	Ps. 370,647	Ps. 1,964
B	115,183	5,413	131,322	6,032
C	15,983	5,857	12,480	5,425
D	10,970	8,224	7,249	5,289
E	2,117	2,109	2,432	2,332
Subtotal	524,430	24,088	524,130	21,042
Loans exempt from classification	16,814	—	16,744	—
Supplementary	—	2,903	—	4,518
Allowance as of December 31	Ps. 541,244	Ps. 26,991	Ps. 540,874	Ps. 25,560

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, 2009 and 2008, 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, 2009.

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 Ps.834 and Ps.378 as of December 31, 2009 and 2008, 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 Ps.1,323.

As a result of official letter number 111-1/25994/2008 dated May 2, 2008 issued by the Commission, the Institution recognized a correction to the allowance for loan losses in the classification of the credit card portfolio against the results of previous years for $716, net of deferred taxes.

In response to official letter number 111-1/26018/2008, dated October, 2008 issued by the Commission, the Institution recorded an allowance for loan losses against the results of prior years, derived from the application of the internal methodology to FOVI-type low income loans, for the purpose of correcting an error in the documentation requested by the FOVI to settle the total amount of the remaining balances of the low income loans granted by the Institution with a refinancing line of interest funded with its own resources. The reserve created for this item was $983, and was recognized in the heading of "Results of prior years", net of deferred taxes.

At December 31, 2009 and 2008, the allowance for loan losses represents 136.06% and 155.66%, respectively, of the non-performing loan portfolio.

(In millions of Mexican pesos)

Changes in the allowance for loan losses –

Below is an analysis of the allowance for loan losses:

	2009	2008
Balance at beginning of year	Ps. 25,560	Ps. 16,774
Provision charged to income statement	27,255	23,994
Allowances charged to the result of prior years	1,323	1,699
Application of reserve for FOVI-type mortgage portfolio	(176)	(807)
Applications and write-offs for the period	(27,105)	(17,202)
Sale of portfolio	(379)	—
Exchange effect	513	1,102
Balance at end of year	Ps. 26,991	Ps. 25,560

14. Secuntization 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 the heading

(In millions of Mexican pesos)

"Securities available for sale" for those issuances made until December 2008 and those released as of January 2009 under the heading "Profits 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:

	Trusts				
Concepto	**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	Ps. 2,644	Ps. 1,155	Ps. 5,696	Ps. 5,823	Ps. 6,545
SMCs issued	25,404,498	11,143,185	11,955,854	55,090,141	59,101,116
Face value per SMC	Ps. 100.00	Ps. 100.00	100UDIS	Ps. 100.00	Ps. 100.00
Amount of issue of SMC	Ps. 2,540	Ps. 1,114	Ps. 4,830	Ps. 5,509	Ps. 5,910
Series A1	—	—	Ps. 2,415	—	Ps. 562
Series A2	—	—	Ps. 2,415	—	Ps. 1,732
Series A3	—	—	—	—	Ps. 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	Ps. 103	Ps. 40	Ps. 866	Ps. 314	Ps. 635
Initial appraisal %	3.90%	3.50%	15.20%	5.40%	9.70%
Total cash flow received for the assignment	Ps. 2,507	Ps. 1,091	Ps. 4,751	Ps. 5,475	Ps. 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 Ps.4.039765.

(In millions of Mexican pesos)

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, 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 Ps.4 to create an expense reserve and Ps.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, 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	Ps.	1,612
Share certificates		2
Par value by security		
Securities in Mexican pesos	Ps.	791
Securities in UDIS	Ps.	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	Ps.	812

(In millions of Mexican pesos)

Regarding the private placement of the Fiduciary Certificates, under the contract, the latter were assigned for the amount of Ps.1,612. The Institution received a cash payment of Ps.812 and recognized Ps.786 of this amount in the sundry debtors account, Ps.9 in the account receivable benefits from securitization transactions, and Ps.5 under the heading of other accounts receivable, which is therefore related to the annual expense provision.

15. Receivables, sundry debtors and prepayments, net

The balance of other accounts receivable at December 31, 2009 and 2008 consists of the following:

Item	2009	2008
Debtors from transaction settlement	Ps. 9,609	Ps.13,845
Loans to officers and employees	6,926	6,746
Sundry debtors	2,544	3,493
Other	1,088	854
	20,167	24,938
Less—Allowance for uncollectible accounts	(460)	(269)
	Ps.19,707	Ps.24,669

16. Repossessed assets, net

Repossessed assets at December 31, 2009 and 2008 were as follows:

Item	2009	2008
Buildings	Ps.2,369	Ps.1,702
Land	332	220
Securities	14	14
Other	4	4
	2,719	1,940
Less—Allowance for impairment of repossessed assets	(520)	(427)
	Ps.2,199	Ps.1,513

17. Property, furniture and equipment, net

Property, furniture and equipment at December 31, 2009 and 2008 were as follows:

Item	2009	2008
Furniture and equipment	Ps.10,106	Ps. 16,303
Office space	12,189	11,097
Installation costs	4,478	5,957
	26,773	33,357
Less—Accumulated depreciation and amortization	(9,028)	(16,811)
	Ps.17,745	Ps. 16,546

(In millions of Mexican pesos)

18. Equity investments

Investments in affiliates that were valued using the equity method were as follows:

Ownership Percentage	Item	2009	2008
Various	Siefores (Real y Protege)	Ps.1,444	Ps.1,198
50.00%	I + D México, S. A. de C. V.	346	276
12.31%	Servicio Panamericano de Protección, S. A. de C. V.	166	135
46.14%	Servicios Electrónicos Globales, S. A. de C. V.	79	75
50.00%	Compañía Mexicana de Procesamiento, S. A. de C. V.	69	61
Various	Others	159	151
	Total	Ps.2,263	Ps.1,896

The investment in shares of associated companies as of December 31, 2009 and 2008 was determined in some cases based on unaudited financial information, which is adjusted, if any differences arise, once the audited information becomes available.

In June 2008, the Mexican Stock Exchange (BMV) carried out a primary public share offering. Previously a corporate restructuring of this entity was performed in which it acquired the Institution's holdings in Indeval, Contraparte Central de Valores, Mex-Der and Asigna. The sale of these holdings represented revenue of Ps.285 for the Institution, which was recorded under the heading of "Other income".

The Mexican Stock Exchange (BMV) acquired from BBVA Bancomer and Casa de Bolsa BBVA Bancomer, S.A. de C.V. the rights to the future dividends of Indeval for the amount of Ps.80, of which the amount of Ps.65 was recognized in the results of the year. At the same time, BBVA Bancomer and the Stock Brokerage both canceled the cost of the Indeval share for the amount of Ps.16. The price paid by the BMV represented 75% of the value of future dividends. The remaining 25% was formalized as an option to be exercised once laws are amended in such a way as to allow the BMV to hold 100% of Indeval. This option was recognized at a value of Ps.0 because it cannot be exercised until the Stock Market Law is amended.

(In millions of Mexican pesos)

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, 2009 and 2008, of Ps.6,773 and Ps.5,161, respectively, as follows:

	2009		2008	
Item	Temporary Difference	Deferred Income Taxes	Temporary Difference	Deferred Income Taxes
Temporary differences—assets:				
Allowance for loan losses	Ps. 21,152	Ps. 5,923	Ps. 18,318	Ps. 5,129
Pension allowance	2,546	713	1,874	525
Repossessed assets	1,121	314	948	265
Other assets	7,002	1,985	6,252	1,731
Advance premium on swap	1,297	363	—	—
Allowance for debtors and creditors	88	24	85	24
Fair value adjustment of investments	—	—	837	235
Total assets	33,206	9,322	28,314	7,909
Temporary differences—liabilities:				
Fixed assets	290	81	652	183
Deferred asset reserve of EPRC	—	—	6,584	1,844
Advance premium on swap	2,310	646	2,406	674
Fair value valuation of investments	7,835	2,194	—	—
Other liabilities	274	76	169	47
Total liabilities	10,709	2,997	9,811	2,748
Adjustment for rate change	—	448	—	—
Net deferred asset	Ps. 22,497	Ps. 6,773	Ps. 18,503	Ps. 5,161

Based on management's projections, the deferred tax balance derived from the allowance for loan losses will be recovered from 2010 through 2012.

On December 7, 2009, the Federal Official Gazette published the tax reform approved by Congress, which took effect as of January 1, 2010. Temporary article two of this reform establishes a transition period regarding the ISR rate, which will be 30% from 2010 to 2012, 29% for 2013 and 28% for 2014 and thereafter. In accordance with NIF Bulletin D-4, *Income Taxes*, and the projections prepared to recover deferred taxes, Management adjusted the deferred tax balance based on the rates expected to be in effect at the recovery date. The effect of this adjustment was Ps.448 and was recorded in the results of the year under the "Deferred income taxes" heading.

(In millions of Mexican pesos)

20. Other assets

Other assets at December 31, 2009 and 2008, were as follows:

Item	2009	2008
Deferred charges, prepaid expenses and intangibles	Ps. 3,063	Ps. 710
Goodwill	1,765	1,765
Total other assets	Ps. 4,828	Ps. 2,475

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 2009 and 2008 the Institution was subject to liquidity requirements of U.S.Ps.868 million and U.S.Ps.2,414 million, respectively, and maintained investments in liquid assets of U.S.Ps.1,390 million and U.S.Ps.4,455 million, reflecting liquidity excesses of U.S.Ps.522 million and U.S.Ps.2,041 million, respectively.

Traditional deposits –

The liabilities derived from traditional deposits are composed as follows:

	2009	2008
Demand deposits:		
Demand deposits	Ps. 355,037	Ps. 324,822
Saving deposits	73	394
Time deposits:		
Notes with interest payable at maturity	168,694	160,299
Time deposits	19,686	23,093
Bank bonds	45,024	46,619
Total	Ps. 588,514	Ps. 555,227

(In millions of Mexican pesos)

22. Interbank loans and loans from other entities

At December 31, 2009 and 2008, interbank loans and loans from other entities were as follows:

	Mexican pesos		U.S. dollars in Mexican pesos		Total	
	2009	2008	2009	2008	2009	2008
Bank loans	Ps. 1,642	Ps. 23,797	Ps. 3,570	Ps. 5,654	Ps. 5,212	Ps. 29,451
Loans from other entities	7,572	7,845	1,226	1,524	8,798	9,369
Total	Ps. 9,214	Ps. 31,642	Ps. 4,796	Ps. 7,178	Ps. 14,010	Ps. 38,820

Interbank loans and loans from other entities in foreign currency were contracted by the Institution with terms ranging from fifteen days to 11 years and annual rates ranging between 1.50% and 9.57%. Such loans are contracted with four foreign financial institutions and two domestic financial institution.

The Institution has available liquidity with the Bank of Mexico for up to the amount of the monetary regulatory deposit, which has a balance of Ps.64,911 in 2009 and 2008. The amount of this credit line used in 2009 and 2008 is Ps.3,333 and Ps.815, respectively; the available amount at this date is Ps.61,578 and Ps.64,096, 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.

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 2009 and 2008, for Ps.672 and Ps.1,372, respectively. Both effects were recognized in the headings of "Other expenses".

(In millions of Mexican pesos)

Pension plan and seniority premiums -

As of December 31, 2009 and 2008, obligations for defined benefits were composed as follows:

Item	2009	2008
Opening balance	Ps. 3,426	Ps. 3,812
Service cost	4	1
Financial cost	330	315
Actuarial losses and gains generated in the period	262	(272)
Benefits paid	(435)	(427)
Sales or breakups of businesses	(1)	(3)
Obligations for defined benefits	Ps. 3,588	Ps. 3,426

At December 31, 2009 and 2008, plan assets were as follows:

Item	2009	2008
Opening balance	Ps. 3,143	Ps. 3,541
Expected returns on plan assets	276	291
Actuarial losses and gains generated in the period	55	(286)
Contributions made by the entity	58	24
Benefits paid	(435)	(427)
Plan assets	Ps. 3,098	Ps. 3,143

At December 31, 2009 and 2008, the liability of the Institution was as follows:

Item	2009	2008
Defined benefit obligation	Ps. 3,588	Ps. 3,426
Plan assets	(3,098)	(3,143)
Current net liability derived from employee pensions	Ps. 490	Ps. 283

For the years ended December 31, 2009 and 2008, the net cost of the period was as follows:

Item	2009	2008
Service cost	Ps. 4	Ps. 1
Financial cost	330	315
Immediate recognition of actuarial losses for the year	207	15
Actual return on plan assets	(276)	(291)
Net cost for the period	Ps. 265	Ps. 40

(In millions of Mexican pesos)

The interest rates utilized in the actuarial calculations were:

Item	Nominal Rate 2009	Nominal Rate 2008
Actual return on plan assets	9.00%	9.75%
Interest rate	9.25%	10.25%
Salary increase rate	4.75%	4.75%
Rate of increase in medical services	6.75%	6.75%

Integral medical services –

As of December 31, 2009 and 2008, the obligations for defined benefits were composed as follows:

Item	2009	2008
Opening balance	Ps. 3,054	Ps. 1,912
Financial cost	299	161
Actuarial losses and gains generated in the period	628	1,283
Benefits paid	(311)	(302)
Obligations for defined benefits	Ps. 3,670	Ps. 3,054
Amount of the benefit obligation acquired	Ps. (14)	Ps. 2,993

As of December 31, 2009 and 2008, plan assets were composed as follows:

Item	2009	2008
Opening balance	Ps. 1,436	Ps. 1,618
Expected returns on plan assets	123	135
Actuarial losses and gains generated in the period	89	(105)
Contributions made by the entity	177	90
Benefits paid	(311)	(302)
Plan assets	Ps. 1,514	Ps. 1,436

As of December 31, 2009 and 2008, obligations for defined benefits are composed as follows:

	2009	2008
Defined benefit obligation	Ps. 3,670	Ps. 3,054
Plan assets	(1,514)	(1,436)
Unfunded liability	Ps. 2,156	Ps. 1,618

(In millions of Mexican pesos)

As of December 31, 2009 and 2008, net cost of the period was composed as follows:

	2009	2008
Financial cost	Ps. 299	Ps. 161
Return on the fund assets	(123)	(135)
Immediate recognition of actuarial losses for the year	539	1,389
Net cost of the period	Ps. 715	Ps. 1,415

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	40	(33)
Increase (decrease) in the defined benefit obligations	434	(358)

Life insurance –

As of December 31, 2009 and 2008, the obligations for defined benefits were composed as follows:

Item	2009	2008
Opening balance	Ps. 629	Ps. 660
Financial cost	62	56
Actuarial losses and gains generated in the period	(32)	(82)
Benefits paid	(5)	(5)
Obligations for defined benefits	Ps. 654	Ps. 629
Amount of the benefit obligation acquired	Ps. 653	Ps. 630

As of December 31, 2009 and 2008, plan assets are composed as follows:

Item	2009	2008
Opening balance	Ps. 657	Ps. 656
Expected returns on plan assets	60	56
Actuarial losses and gains generated in the period	39	(50)
Entity contributions	2	—
Benefits paid	(5)	(5)
Plan assets	Ps. 753	Ps. 657

(In millions of Mexican pesos)

As of December 31, 2009 and 2008, the obligations for defined benefits are composed as follows:

	2009	2008
Defined benefit obligations	Ps. 654	Ps. 629
Plan assets	(753)	(657)
Advance payment	Ps. (99)	Ps. (28)

As of December 31, 2009 and 2008, net benefit of the period was composed as follows:

	2009	2008
Financial cost	Ps. 62	Ps. 56
Return on the fund assets	(60)	(56)
Immediate recognition of actuarial losses for the year	(72)	(32)
Net benefit of the period	Ps.(70)	Ps.(32)

Severance indemnities –

As of December 31, 2009 and 2008, the obligations for defined benefits were composed as follows:

Item	2009	2008
Opening balance	Ps. 13	Ps. 25
Labor cost of the service	1	2
Financial cost	1	2
Actuarial losses and gains generated in the period	(1)	—
Sales or breakups of businesses	(12)	(16)
Obligations for defined benefits	Ps. 4	Ps. 13
Amount of the benefit obligation acquired	Ps. 4	Ps. 13

As of December 31, 2009 and 2008, the projected net liability was composed as follows:

Item	2009	2008
Unfunded liabilities	Ps. 4	Ps. 13
Unamortized items:		
Transition liability	(1)	(6)
Net projected liability for employee pensions	Ps. 3	Ps. 7

The amortization period of the unamortized items is five years.

(In millions of Mexican pesos)

At December 31, 2009 and 2008, the net cost of the period was as follows:

Item	2009	2008
Service cost	Ps. 1	Ps. 2
Financial cost	1	2
Amortization of transition liability	2	2
Effects of reductions and extinguishment	(1)	(2)
Net cost of the period	Ps. 3	Ps. 4

As of December 31, 2009, the severance indemnity plan did not have assets to fund the obligations for defined benefits.

As of December 31, 2009, the assets from the different plans were invested in government securities. Also, the expected return on plan assets as of December 31, 2009 was estimated at a profit of Ps.458, but the actual return at the same date was a profit of Ps.642.

(In millions of Mexican pesos)

24. Subordinated debt

Item	2009	2008
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	Ps. 2,500	Ps. 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	—
Subordinated debentures Bancomer 08-3 at TIIE + 1.00%, interest payable every 28 days with maturity on November 26, 2020	2,859	2,754
Subordinated debentures –		
Capitalization notes for USPs.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	6,916
Non-preferential capitalization notes for US Ps.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	6,533	6,916
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	11,247	11,736
Valuation of the hedged primary position	574	598
Total	Ps. 37,175	Ps. 35,620

The debt issuance costs related to these issues are amortized using the straight-line method over the term of the debt.

(In millions of Mexican pesos)

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.

	2009	2008
Derivative financial instruments	Ps. 3,195	Ps.(2,105)

At December 31, 2009, 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.

	2009	2008
Repurchase agreement debtor	Ps. 2,564	Ps. 3,059
Portfolio purchase (nominal value)	Ps. 495	Ps. 9,936
Other expenses	Ps. 68	Ps. 1,217

At December 31, 2009, the Institution has repurchase transactions with four-day maturities and an average return rate of 4.42%

BBVA Bancomer Operadora, S. A. de C. V.

	2009	2008
Fees paid for administrative services	Ps. 11,595	Ps. 11,044
Administrate services	Ps. 1,705	Ps. 2,059
Advance for services related to the following year	Ps. —	Ps. 296

BBVA Bancomer Servicios Administrativos, S. A. de C. V.

	2009	2008
Fees paid for administrative services	Ps. 1,008	Ps. 390

26. Income taxes

In 2009 the Institution was subject to ISR and IETU.

ISR –

The ISR rate for 2009 and 2008 was 28%, and will be 30% for 2010 to 2012, 29% for 2013, and 28% for 2014 and thereafter.

(In millions of Mexican pesos)

IETU –

Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. The IETU rate is 17% and 16.5%, in 2009 and 2008, respectively; and 17.5% as of 2010. The Asset Tax Law was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid, may be recovered, according to the terms of the law.

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, the valuation of financial instruments, losses on portfolio sales, sales of fixed assets, etc.

As of December 31, 2009, the Institution has recoverable IMPAC of Ps.1,529.

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:

	2009	2008
Statutory rate	28%	28%
Add (deduct) –		
Effect of allowance for loan losses	(7.73%)	(6.72%)
Effect of nondeductible items	3.16%	0.89%
Other effects	(0.46%)	(1.54%)
Effective rate	22.97%	20.63%

Employee statutory profit-sharing –

The Institution determines the employee profit sharing based on the guidelines established in Mexico's Constitution.

(In millions of Mexican pesos)

27. Stockholders' equity

Capital stock –

The capital stock of the Institution at December 31, 2009 and 2008, was as follows:

	Number of shares at Par Value of Ps.0.28 per share					
	2009			2008		
	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	(2,134,952,993)	6,972,189,866
Series "B"	8,749,999,999	(1,324,851,134)	7,425,148,865	8,749,999,999	(2,051,229,345)	6,698,770,654
Total	17,857,142,858	(2,703,777,826)	15,153,365,032	17,857,142,858	(4,186,182,338)	13,670,960,520

	Capital Stock					
	2009			2008		
	Authorized	Unsubscribed	Paid-in	Authorized	Unsubscribed	Paid-in
Series "F"	Ps. 2,550	Ps. (386)	Ps. 2,164	Ps. 2,550	Ps. (598)	Ps. 1,952
Series "B"	2,450	(371)	2,079	2,450	(574)	1,876
Subtotal	Ps. 5,000	Ps. (757)	4,243	Ps. 5,000	Ps. (1,172)	3,828
Capitalization of restatement			10,971			10,971
Restatement of merger BBVA Bancomer Servicios			2,293			—
Restatement to Mexican pesos of December 2007			6,631			6,631
Total			Ps. 24,138			Ps. 21,430

As discussed in Note 1, 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 Ps.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 Ps.0.28 each.

At a Stockholders' Ordinary General Meeting, the Institution declared a cash dividend of Ps.11,889, taken from the account named "Results of prior years" which was distributed on the basis of Ps.0.7845782091894 pesos per share, which were paid to the shareholders on August 5, 2009.

At a Stockholders' Ordinary General Meeting of Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (AFORE Bancomer) on Mach 18, 2009, a cash dividend of Ps.581 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 July 6, 2009.

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 the Institution 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 Tier 1 capital.

On November 23, 2007, the Mexican Treasury Department (SHCP) published modifications to the rules for capitalization requirements of full-service banks, national credit institutions, development banks, etc. which went into effect on January 1, 2008. The main changes are as follows:

Capitalization for credit risk

To calculate the capital requirement for their exposure to credit risk, credit institutions may use the standard method, or methods based on internal classifications, whether basic or advanced, provided that they have the prior authorization of the Commission for such purpose.

Under the standard method, the transactions are classified into eight different groups depending on the counterparty, and must be weighted in accordance with the degree of risk based on a credit classification allocated by one of the classification agencies.

Also, under this method a higher weighting factor is allocated to the overdue portfolio (125%), and the mortgage credits will now have a weighting factor of 50 to 100% depending on the level of deposit and related guarantees.

Through the document issued on August 31, 2009, the Institution gave notice of its application of an advanced internal credit card rating method to determine its credit risk capital requirement. This amount was calculated by applying a weighted capital requirement to the noncompliance exposure determined according to the Noncompliance Probability associated with each debtor rating level expressed as a percentage; the Loss Severity in the event of noncompliance, expressed as a percentage of the noncompliance exposure and the Effective Period 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.

(In millions of Mexican pesos)

The combined capitalization index of the credit institutions as of December 31, 2009 was 14.15% of the total risk (market and credit) and 21.01% of credit risk, which are 6.15 and 13.01 points above the required minimums.

The net capital, divided into Tier 1 and Tier 2, 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	Ps. 97,779
Capital notes	13,066
Deductions of subordinated debt instruments related to securitization schemes	(946)
Deductions of investments in shares of financial entities	(5,022)
Deductions of investments in shares of non-financial entities	(4,397)
Organization expenses, other intangible assets	(212)
Total	Ps. 100,268

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	Ps. 6,533	22/07/2015	100%	Ps. 6,533
Eligible capital notes	6,533	17/05/2022	100%	6,533
	Ps. 13,066			Ps. 13,066

– *Complementary capital:*

Item	Amount
Subordinated debt and capital notes	Ps. 23,535
Allowance for loan losses	2,485
Related subordinated debt instruments	(946)
Total	Ps. 25,074
Net capital	Ps. 125,342

(In millions of Mexican pesos)

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	Ps. 2,500	18/09/2014	100%	Ps. 2,500
Bancomer-08-2	3,000	24/09/2018	100%	3,000
Bancomer-08	1,200	16/07/2018	100%	1,200
Bancomer-08-3	2,859	26/11/2020	100%	2,859
Bancomer-09	2,729	07/06/2019	100%	2,729
Eligible capital notes	11,247	17/05/2017	100%	11,247
	Ps. 23,535			Ps. 23,535

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	Ps. 169,551	Ps. 13,564
Transactions in Mexican pesos with real rate or rate denominated in UDIs	8,980	718
Rate of return based on the General Minimum Wage	21,299	1,704
Interest rate transactions in foreign currency with a nominal rate	11,226	898
Positions in UDIs and Mexican pesos with yield linked to NCPI	38,533	3,083
Positions in currencies with yield indexed to exchange rates	3,633	290
Positions in shares or with yield indexed to the price of a share or group of shares	248	20
Transactions based on the General Minimum Wage	86	7
Surtax	15,788	1,263
Total market risk	Ps. 269,344	Ps. 21,547

(In millions of Mexican pesos)

– *Assets subject to credit risk:*

Item	Risk-Weighted Assets	Capital Requirements
Weighted at 10%	Ps. 969	Ps. 78
Weighted at 11.5%	837	67
Weighted at 20%	23,370	1,869
Weighted at 23%	6,939	555
Weighted at 50%	630	50
Weighted at 100%	387,134	30,971
Weighted at 115%	8,116	649
Weighted at 125%	13,884	1,111
Internal exchange rate methodology	65,832	5,267
Total credit risk	Ps. 507,711	Ps. 40,617
Total credit risk	Ps. 63,081	Ps. 5,046

28. Position in foreign currency

At December 31, 2009 and 2008, 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 Ps.13.0659 and Ps.13.8325 per U.S. dollar, respectively, and the position in foreign currency was as follows:

	Millions of U.S. Dollars	
	2009	2008
Assets	39,308	44,994
Liabilities	(39,383)	(45,014)
Net liability position in U.S. dollars	(75)	(20)
Net liability position in Mexican pesos (nominal value)	Ps. (980)	Ps. (277)

At February 15, 2010, the unaudited net asset position was similar to that at yearend, and the exchange rate at such date was Ps. 12.9420 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.

(In millions of Mexican pesos)

29. UDI position

At December 31, 2009 and 2008, the Institution had UDI-denominated assets and liabilities translated into Mexican pesos, considering the prevailing conversion rate of 4.340166 and Ps.4.184316 per UDI, respectively, as follows:

	Thousands of UDIs	
	2009	2008
Assets	19,181	16,631
Liabilities	(17,085)	(15,466)
Net liability position in UDIs	2,096	1,165
Net liability position in Mexican pesos (nominal value)	Ps. 9,097	Ps. 4,875

At February 15, 2010, the unaudited UDI position was similar to that at yearend, and the conversion rate was equivalent to Ps. 4.395981 per UDI.

30. Preventive and saving protection mechanism

During 2009 and 2008, contributions made by the Institution to IPAB were Ps.2,527 and Ps.2,244, respectively.

(In millions of Mexican pesos)

31. Financial margin

At December 31, 2009 and 2008, the main items composing the financial margin were as follows:

	2009		
	Appraised amount		
	Mexican pesos	US dollars	Total
Interest income:			
Loan portfolio interest and returns	Ps. 66,017	28	Ps. 66,045
Securities interest and returns	22,553	2	22,555
Quick asset interest	4,196	3	4,199
Repurchase agreement and security loan interest and premiums	1,832	—	1,832
Memoranda account interest	119	—	119
Commissions collected to initially grant credit	881	16	897
Others	4,164	—	4,164
Total interest income	99,762	49	99,811

	2009		
	Appraised amount		
	Mexican pesos	US dollars	Total
Interest expenses:			
Fund attraction interest	14,650	7	14,657
Interest on loans with banks and other entities	1,623	—	1,623
Debenture interest	2,085	—	2,085
Repurchase agreement and security loan interest and premiums	19,687	—	19,687
Others	7,509	—	7,509
Total interest expenses	45,554	7	45,561
Financial margin	Ps. 54,208	42	Ps. 54,250

(In millions of Mexican pesos)

	2008		
	Appraised amount		
	Mexican pesos	US dollars	Total
Interest income:			
Loan portfolio interest and returns	Ps. 69,760	38	Ps. 69,798
Securities interest and returns	26,686	11	26,697
Quick asset interest	6,250	21	6,271
Repurchase agreement and security loan interest and premiums	1,345	—	1,345
Memoranda account interest	204	—	204
Commissions collected to initially grant credit	737	5	742
Others	3,228	—	3,228
Total interest income	108,210	75	108,285
Interest expenses:			
Fund attraction interest	17,611	13	17,624
Interest on loans with banks and other entities	3,181	2	3,183
Debenture interest	1,457	—	1,457
Repurchase agreement and loan security interest and premiums	25,003	—	25,003
Others	(436)	—	(436)
Total interest expenses	46,816	15	46,831
Financial margin	Ps. 61,394	60	Ps. 61,454

32. Commissions and fee income

At December 31, 2009 and 2008, the main items for which the Institution recorded commissions and fee income in the statement of income were as follows:

Concept	2009	2008
Bank commissions	Ps. 8,010	Ps. 7,466
Credit and debit cards	8,481	10,291
Afore, Pension Funds and SAR	2,332	2,133
Investment funds	1,304	605
Insurance	1,016	1,015
Others	3,080	2,202
Total commissions and fee income	Ps. 24,223	Ps. 23,712

(In millions of Mexican pesos)

33. Trading income

At December 31, 2009 and 2008, the main items composing the trading income were as follows:

	2009	2008
Valuation result		
Derivatives	Ps. 3,944	Ps.(3,359)
Securities investments	3,349	(2,320)
	7,293	(5,679)
Purchase-sale result		
Derivatives	2,040	1,854
Foreign currency	1,687	1,583
Securities investments	332	2,624
	4,059	6,061
Total	Ps. 11,352	Ps. 382

34. Segment information

The Institution 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 millions of Mexican pesos)

In this regard, given that the total revenues from the Institution's operations represent approximately 93% of the consolidated revenues of the Grupo Financiero, below are the revenues obtained during 2009 and 2008, which include the different segments as described in the preceding paragraph:

	2007							
	Total Revenue by Segment from the Financial Group							
Item	Total	Commercial Bank	Corporate and Government Banking	Treasury Transactions	Brokerage House and Investment Funds	Retirement Saving Funds	Foreign Remittances Transfer	Others
Total revenues:								
Interest income and expense, net	Ps. 53,740	Ps. 42,357	Ps. 6,538	Ps. 1,410	Ps. 54	Ps. 45	Ps. 80	Ps. 3,256
Monetary loss, net	(1,996)	(113)	—	—	(39)	(37)	—	(1,807)
Net interest income	51,744	42,244	6,538	1,410	15	8	80	1,449
Provision for loan losses	(12,593)	(13,076)	(150)	(24)	—	—	(3)	660
Net interest income after provisions for loan losses	39,151	29,168	6,388	1,386	15	8	77	2,109
Commissions and fees, net	22,005	14,817	2,857	122	2,755	2,087	786	(1,419)
Trading (loss) income, net	(57)	474	271	(1)	15	—	91	(907)
Total revenues (expenses) from the operation	61,099	Ps. 44,459	Ps. 9,516	Ps. 1,507	Ps. 2,785	Ps. 2,095	Ps. 954	Ps. (217)
Total loss from the operation of other companies	(3,976)							
NET OPERATING REVENUES FROM THE INSTITUTION'S OPERATION	57,123							
Non-interest expense	(30,232)							
Operating income	26,891							
Other income	4,434							
Other expense	(4,741)							
Monetary loss, net (other)	(287)							
Earnings before income taxes and employee profit sharing	26,297							
Current income tax and employee profit sharing	(1,715)							
Deferred income tax and employee profit sharing	(4,966)							
Income before share in net income of unconsolidated subsidiaries and affiliates	19,616							
Share in net income of unconsolidated subsidiaries and affiliates	149							
Income from continuing operations	19,765							
Discontinued operations, extraordinary items and changes in accounting policies, net	—							
Net income before minority interest	19,765							
Minority interest	(128)							
Net income	Ps. 19,637							

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)
AS OF DECEMBER 31, 2009 AND 2008
(In millions of Mexican pesos)

	2008						
		Total Revenue by Segment from the Financial Group					
Item	Total	Commercial Bank	Corporate and Government Banking	Market Operations	Retirement Saving Funds	Other Segments	Total
Interest income and expense, net	Ps. 62,774	Ps. 49,581	Ps. 7,217	Ps. 3,136	Ps. 63	Ps. 91	Ps. 2,686
Financial margin	62,774	49,581	7,217	3,136	63	91	2,686
Provision for loan losses	(23,969)	(23,225)	(721)	(23)	—	—	—
Net interest income after provision for loan losses	38,805	26,356	6,496	3,113	63	91	2,686
Commissions and fees, net	21,615	14,829	3,023	187	3,022	2,057	(1,503)
Trading income, net	387	675	782	(2,375)	7	—	1,298
Other operating income (expenses)	76	240	—	—	—	—	(164)
Net operating revenues	60,883	Ps. 42,100	Ps. 10,301	Ps. 925	Ps. 3,092	Ps. 2,148	Ps. 2,317
Total loss from the operation of other companies	(5,573)						
NET OPERATING REVENUES FROM THE INSTITUTION'S OPERATION	55,310						
Non-interest expense	(31,351)						
Operating income	23,959						
Other income	3,712						
Other expense	(4,459)						
Income before income taxes	23,212						
Income tax	(9,654)						
Deferred income tax	4,867						
Income before share in net income of unconsolidated subsidiaries and affiliates	18,425						
Share in net income of unconsolidated subsidiaries and affiliates	96						
Income before minority interest	18,521						
Minority interest	(172)						
Net income	Ps. 18,349						

(In millions of Mexican pesos)

	2009						
		Total Revenue by Segment from the Financial Group					
Item	Total	Commercial Bank	Corporate and Government Banking	Market Operations	Retirement Saving Funds	Other Segments	Total
Interest income and expense, net	$ 54,911	$ 42,782	$ 7,234	$(3,640)	$ 44	$ 81	$ 8,410
Financial margin	54,911	42,782	7,234	(3,640)	44	81	8,410
Provision for loan losses	(27,251)	(26,066)	(1,534)	70	—	—	279
Net interest income after provision for loan losses	27,660	16,716	5,700	(3,570)	44	81	8,689
Commissions and fees, net	20,855	14,747	3,646	269	3,178	2,315	(3,300)
Trading income, net	11,364	1,060	688	7,875	12	—	1,729
Other operating income (expenses)	234	427	(2)	—	—	—	(191)
Net operating revenues	60,113	$ 32,950	$10,032	$ 4,574	$3,234	$2,396	$ 6,927
Total loss from the operation of other companies	(2,924)						
NET OPERATING REVENUES FROM THE INSTITUTION'S OPERATION	57,189						
Non-interest expense	(33,172)						
Operating income	24,017						
Other income	2,113						
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						
Minority interest	(232)						
Net income	$ 18,446						

Other segments include the results related to management of the credit portfolio assigned to the recovery area, mortgage portfolio of trusts, UDIS, among others.

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.

– *Strategic 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, 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 Value at Risk (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.

(In millions of Mexican pesos)

Quantitative information (unaudited) –

– Operation and investment portfolio:

Portfolio	VaR 1 day December 31, 2009	VaR 1 day Average Fourth Quarter 2009
Interest rate	Ps. 115	Ps. 140
Variable income	Ps. 109	Ps. 33
Foreign exchange	Ps. 6	Ps. 10
Volatility	Ps. 25	Ps. 24
Weighted	Ps. 139	Ps. 147

– Total Credit Risk exposure in derivatives as of December 2009:

Portfolio	December 31, 2009
Counterparty Risk Exposure	Ps. 89,151

During 2009 and 2008, the Institution recognized losses due to operating risks (fraud, casualties, fines and penalties) for the amount of Ps.571 and Ps.427 (face value), 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 acquire 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)	Ps. 245
Annual loss	Ps. 335
Monthly loss	Ps. 168

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

In accordance with the Structured Bank Bonds issuance programs of the Institution, embedded rate options and swaps are recorded for a nominal amount of Ps.13,271 and Ps.6,266, respectively, with underlying foreign exchange, indexes and interest rates.

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 Variable Income 1%
Peso swaps	Ps. 9	Ps. (12)
Interest-rate options	(1)	(1)
	Ps. 8	Ps. (13)

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.

During 2009 and 2008, the Institution recognized losses related to the materialization of operating risks (frauds, accidents, fines, penalties and losses) for Ps. 372 and Ps.427 (nominal value), respectively.

The profit from cash flow hedge derivatives recognized in equity as of December 31, 2009 is Ps.1,757; on which basis, taking the present value of the coupons that will be settled in 2010, it is estimated that revenue of Ps.381 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.

Reclassifications of the financial statements

The financial statements as of December 31, 2008 have been reclassified in certain accounts to make them comparable with the presentation used for the financial statements as of December 31, 2009.

Contingencies

At December 31, 2008, 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 Ps. 417 in connection with such contingencies.

36. New accounting principles

As part of its efforts to converge Mexican standards with international standards, in 2009, the CINIF issued the following MFRS, Interpretations to Financial Information Standards (INIFs) and improvements to MFRS applicable to profitable entities which become effective as follows:

a. For fiscal years that begin on January 1, 2010:

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.

Improvements to NIFs for 2010 – 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 – Requires recognition of the effects of fluctuations in exchange rates used for translating cash in foreign currencies, and changes in fair value of cash in the form of precious metal coins, and other cash items, at fair value, in a specific line item.

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.

b. For fiscal years that begin on January 1, 2011:

Some of the most important changes established by these standards are:

NIF B-5, Financial Segment Information – Uses a managerial approach to disclose financial information by segments, as opposed to Bulletin B-5, which also used a managerial approach but required that the financial information be classified by economic segments, geographical areas, or homogenous client groups. NIF B-5 does not require different risks among business areas to separate them. It allows areas in the preoperating stage to be classified as a segment, and requires separate disclosure of interest income, interest expense and liabilities, as well as disclosure of the entity's information as a whole with respect to products, services, geographical areas and major customers and suppliers. Like the previous Bulletin, this Standard is mandatory only for public companies or companies in the process of becoming public.

NIF B-9, Interim Financial Information – As opposed to Bulletin B-9, this Standard requires a condensed presentation of the statement of changes in stockholders' equity and statement of cash flows, as part of the interim financial information. For comparison purposes, it requires that the information presented at the closing of an interim period contain the information of the equivalent interim period of the previous year, and in the case of the balance sheet, presentation of the previous years' annual balance sheet.

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 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")) to the extent that the aforementioned accounting criteria do not address or supersede the accounting to be followed. 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 the significant 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" became effective (amended through December 24, 2009) which include the accounting criteria applicable to banks. These accounting criteria also include the methodology for bank loan portfolio ratings. These provisions require the rating and 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), payment records and the value of guarantees for each borrower balance that exceeds 4,000,000 UDIS. The remainder is classified parametrically based on the number of months elapsed as of the first default. This rating is used, among other things, to estimate a potential loan loss provision. 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, the CNBV allows the creation of additional 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 portfolio, the risk rating procedure and the establishment of loan reserves considers the accounting periods reporting past due, the probability of noncompliance, the severity of the loss based on its balance and the nature of any loan guarantees or collateral.

The outstanding balance of past-due loans is recorded as non-performing as follows: (1) when there is evidence that the customer has declared bankruptcy; (2) loans with a single payment of principal and interest at maturity are considered past due 30 calendar days after the date of maturity; (3) 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; (4) 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; (5) in the case where a revolving line of credit is 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, and (6) customer bank accounts showing overdrafts are reported as non-performing loans at the time the overdraft occurs.

The U.S. GAAP methodology for recognition of loan losses is provided by Accounting Standard Code ("ASC") 450 *Contingencies* (previously Statement of Financial Accounting Standard ("SFAS") No. 5, "Accounting for Contingencies") and ASC 310 *Receivables* (previously SFAS No. 114, "Accounting by Creditors for Impairment of a Loan"), which establish that an estimated loss 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.

For larger non-homogeneous loans, all individual loans should be assessed for impairment under ASC 310 (except for large groups of smaller-balance homogeneous loans which are collectively evaluated for impairment). Specific provisions are calculated 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.

Under U.S. GAAP, estimated losses on impaired loans that are individually assessed are required to be measured at the present value of expected future cash flows discounted at the loan's effective rate, 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, historical loss ratios are determined by analyzing historical loss trends. These ratios are determined by loan type to obtain loss estimates for homogeneous groups of clients. Such historical loss ratios are updated to incorporate the most recent data reflective of current economic conditions, in conjunction with industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information. These updated ratios serve as the basis for estimating the allowance for loan losses for such smaller-balance impaired loans and non-impaired loans.

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-Accrual Loans

Under Mexican Banking GAAP, the recognition of interest income is suspended when loans become past due based on the number of past due periods as established by the CNBV.

Under U.S. GAAP, the accrual of interest is generally discontinued when, in the opinion of management, it is expected that the borrower will not be able to fully pay its principal and interest. Generally this occurs when loans are 90 days or more past due. Any accrued but uncollected interest is reversed against interest income at that time.

Foreclosed Assets

Under Mexican Banking GAAP, there are two categories of foreclosed assets: (1) those received as payment in-kind and (2) those that are repossessed by judicial order. For both categories, foreclosed assets are recorded at the lesser of cost or estimated net realizable value.

On date of foreclosure, if the book value (contractual value) of the loan to be foreclosed is higher than net realizable value of the foreclosed asset the difference will be charged to the loan loss allowance. If the book value (contractual value) of the loan to be foreclosed is lower than the net realizable value of the repossessed asset, the carrying amount of the foreclosed asset is the book value of the loan. Foreclosed assets are subsequently adjusted by standard provisions as issued by the CNBV. The provisions depend on the nature of the foreclosed asset and the number of months outstanding.

Under U.S. GAAP, as required by ASC 470 Debt (previously SFAS No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings"), foreclosed assets received in full satisfaction of a receivable are reported at the time of foreclosure or physical possession at their estimated fair value less estimated costs of sale. If the foreclosed asset qualifies as an asset held for a long lived asset to be disposed by sale in accordance with ASC 360 *Property, Plant and Equipment* (previously SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets"), such asset is thereafter carried at the lower of its carrying amount or fair value less estimated sale costs. Those assets not eligible for being considered as assets to be disposed of by sale are considered assets to be held and used and are depreciated based on their useful lives and are subject to impairment tests under FAS 144.

Investment Valuation

Under Mexican Banking GAAP, investments are divided into the following categories:

- Trading securities are defined as those in which management invests to obtain gains from short-term price fluctuations. The unrealized gains or losses resulting from the mark-to-market of these investments are recognized in the statement of income for the period.
- For-sale securities are those in which management invests to obtain medium-term earnings. The unrealized gains or losses resulting from the mark-to-market of equity securities , net of deferred taxes, is recognized in stockholders' equity.
- Held-to-maturity investments are those instruments in which management invests with the intention of holding them until maturity and are recorded at amortized cost.

Furthermore, on November 9, 2009, the CNBV issued the Ruling to amend the "General Rules for Banks," 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, albeit with the prior express authorization of the CNBV.

Under Mexican Banking GAAP, the fair value amounts are determined by independent third party price quotes or in certain cases based on internal valuation methods. The fair value adjustment for for-sale equity securities is reflected in equity and includes the related deferred income tax effects and loss from monetary position (if determined). All amounts are reversed into earnings upon sale or maturity of the securities.

Under Mexican Banking GAAP, provisions must be made for permanent impairment of for-sale or held-to-maturity securities. If the conditions that led to the provision being established improve sufficiently, then the provision can be reversed.

Under ASC 320 *Investments – Debt and Equity Securities* (previously SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities"):

- Debt securities must be classified, according to management's intent and ability to hold the security, within one of the following categories: held-to-maturity, trading, or available-for-sale. Marketable equity securities must be classified as either trading securities or available-for-sale securities.
- Trading securities are those actively bought and sold. Such securities are recorded at fair value, with resulting unrealized gains and losses recognized in the statement of income.
- Securities which management has the intent and ability to hold to maturity are classified as held-to-maturity, a classification allowed only for debt securities, except for preferred stock with required redemption dates. Held-to-maturity securities are carried at amortized cost.
- All other debt securities and marketable equity securities that are not classified as debt securities or held-to-maturity securities are classified as available-for-sale securities. Available-for-sale securities

are recorded at fair value with the resulting unrealized gains and losses recorded net of applicable deferred taxes as other comprehensive income ("OCI"), a separate component of shareholders' equity until realized, at which time the realized gain or loss is recorded in the income statement. Non-marketable equity securities are valued at cost, less a provision for other-than-temporary impairment in value.

U.S. GAAP has specific criteria limiting reclassifications of securities within the held-to-maturity classification. If any sales are made from the held-to-maturity portfolio other than in certain specific circumstances, then all held-to-maturity securities are deemed to be tainted and are consequently classified as available-for-sale.

U.S. GAAP does not contemplate the monetary position effect which is presently recognized under Mexican Banking GAAP. Nevertheless, under U.S. GAAP, if there is a decline in carrying amount of an available-for-sale or held-to-maturity security below its fair value, it is judged to be other-than-temporary, the cost basis of the individual security is written down to its fair value and the amount of the write-down is recorded as a charged to income. The new written down value of the security forms the new cost basis of the security. An impairment loss cannot be reversed if conditions improve.

For Mexican Banking GAAP purposes, any foreign currency effects on available-for-sale debt securities are reported in earnings. However, under U.S. GAAP and per ASC 310-10-35 (*Fair Value Changes of Foreign-Currency-Denominated Available-for-Sale Debt Securities* paragraphs 36-37) (formerly EITF 96-15 "Accounting for the Effects of Changes in Foreign Currency Exchange Rates on Foreign-Currency-Denominated Available-for-Sale Debt Securities"), the entire change in the fair value of foreign-currency-denominated available-for-sale debt securities should be reported in stockholders' equity. This fair value serves as the basis under which other-than-temporary impairment is considered.

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 – Listed prices for identical instruments in active markets.
- Level 2 – Listed prices for similar instruments in active markets; listed 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.

Repurchase Agreements

Under Mexican Banking GAAP, at the contracting date of the repurchase transaction, when the financial 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, is recorded and represents 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 credit 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 an entity 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 agreed-upon price, 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. Similarly, if the repurchasing party becomes a reselling party based on the performance of another repurchase transaction with the collateral received in guarantee for the initial transaction, the interest generated by the second repurchase transaction must be recognized in the results of the year when accrued, according to the effective interest method, and also affects the valued account payable according to the applied cost.

Under U.S. GAAP, repurchase agreements are transfer transactions subject to specific provisions and conditions that must be met in order for a transaction to qualify as a sale rather than a secured borrowing. In most cases, banks in the U.S. enter into repurchase transactions that qualify as secured borrowings. Accordingly, our assets subject to a repurchase agreement would not be derecognized.

Derivatives

Under Mexican Banking GAAP, 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. Financial institutions initially recognize all derivatives as assets or liabilities in the balance sheet at fair value, taking into consideration the execution price. Any transaction costs that are directly attributable to the acquisition of the derivative are directly recognized in results. All derivatives are valued at fair value without deducting any estimated sale costs or other types of disposal. The period net valuation effects are recognized in the results of the period as trading gain/loss.

Under Mexican Banking GAAP, a financial institution should consider the following CNBV requirements for the purposes of classifying a derivative financial instrument:

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. 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. 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 positions – Consist of the positions assumed by the financial institution as market participant for purposes other than hedging risk positions. In forward and futures contracts, the balances represent the difference between the fair value of the contract and the contracted forward price. If the difference is positive, it is considered as surplus value and presented under assets; however, if negative, it is considered as a shortfall and presented under liabilities. In options, their balance represents the fair value of the premium and they are valued at fair value, recognizing the valuation effects in the results for the year. In swaps, the balance represents the difference between the fair value of the swap asset and liability.

Under U.S. GAAP, ASC 815 *Derivatives and Hedging* (previously SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities") provides that:

- Derivative financial instruments, although considered to be an effective hedge from an economic perspective that have not been designated as a hedge for accounting purposes are recognized in the balance sheet at fair value with changes in the fair value recognized in earnings concurrently with the change in fair value of the underlying assets and liabilities.
- For all derivative instruments that qualify as fair value hedges for accounting purposes, of existing assets, liabilities or firm commitments, the change in fair value of the derivative should be accounted for in the statement of income, and be fully or partially offset in the statement of income by the change in fair value of the underlying hedged item.
- For all derivative contracts that qualify as hedges of cash flows for accounting purposes, the change in the fair value of the derivative should be initially recorded OCI in stockholders' equity. Once the effects of the underlying hedged transaction are recognized in earnings, the corresponding amount in OCI is reclassified to the statement of income to offset the effect of the hedged transaction.
- All derivative instruments that qualify as hedges are subject to periodic effectiveness testing. Effectiveness is the derivative instrument's ability to generate offsetting changes in the fair value or cash flows of the underlying hedged item. The ineffective portion of the change in fair value for a hedged derivative is immediately recognized in earnings, regardless of whether the hedged derivative is designated as a cash flow or fair value hedge.

Under Mexican Banking GAAP, the designation of a derivative instrument as a hedge of a net position ("macro hedging") is allowed. However, macro hedging is not permitted under U.S. GAAP.

However under U.S. GAAP, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument, must be separated from the host contract and accounted for at fair value. Under Mexican Banking GAAP, the recognition of embedded derivative instruments is required beginning in 2009.

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 this is not the case, these assets must remain on the balance sheet, together with the respective debt issuances and the effects on results based on this criterion. 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.

Under U.S. GAAP, ASC 860 *Transfers and Servicing* (previously SFAS No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement 125)* provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. The guidance focuses on control. Under that approach, after 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. This Statement provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings.

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

Through December 31, 2004, under Mexican Banking GAAP, the excess of the purchase price over the adjusted book value of net assets acquired was recorded as goodwill and amortized over 20 years (negative goodwill if book value exceeded the purchase price was recognized over a period not exceeding five years).

Upon the adoption of Bulletin B-7, "Business Acquisitions," which is similar to the required accounting practices established by U.S. GAAP, requires the purchase price to be ascribed to the fair value of separately identifiable assets and liabilities acquired and that the difference between the purchase price and the fair value of identifiable assets and liabilities be allocated to goodwill or negative goodwill, as applicable.

Under U.S. GAAP, prior to January 1, 2009, SFAS No. 141, "Business Combinations" required the purchase price over the book value of assets and liabilities acquired to be allocated to the fair value of separately identifiable assets and liabilities acquired.

Under U.S. GAAP, beginning in January 1, 2009, FASB ASC 805-10 (SFAS No. 141(R), Business Combinations – a replacement *of FASB No. 141)*), now requires an acquirer in a business combination to (a) recognize assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at fair value as of the acquisition date, and (b) expense all acquisition-related costs. FASB ASC 805-10 (SFAS No. 141(R)), also amends FASB ASC 740-10 (SFAS No. 109, *Accounting for Income Taxes*) to require that any reductions to an acquired entity's valuation allowances on deferred taxes and acquired tax contingencies that occur after the measurement period be recorded as a component of income tax expense.

Under U.S. GAAP, as previously required, retail depositor relationships associated with an acquisition of a financial institution by a bank, termed the core deposit intangible, are identified and valued separately. The difference between the purchase price and the fair value of identifiable assets and liabilities results in goodwill or negative goodwill. Negative goodwill is first allocated to reduce the values of long-lived assets acquired and if any negative goodwill remains, then that amount is recognized as an extraordinary gain.

Employee Retirement Obligations

Under Mexican Banking GAAP, effective January 1, 2005 revised Bulletin D-3 requires the recognition of a severance indemnity liability calculated based on actuarial computations. Similar recognition criteria under U.S. GAAP are established in ASC 712 *Compensation – Nonretirement Postemployment Benefits* (previously SFAS No. 112, "Employers' Accounting for Post-employment Benefits"), which requires that a liability for certain termination benefits provided under an ongoing benefit arrangement such as these statutorily mandated severance indemnities, be recognized when the likelihood of future settlement is probable and the liability can be reasonably estimated. Mexican Banking GAAP allows amortization of the transition obligation related to the adoption of revised Bulletin D-3 over the expected service life of the employees. However, under U.S. GAAP, it does not exist, which results in a difference in the amount recorded under the two accounting principles.

Under Mexican Banking GAAP, pension and seniority premium obligations are determined in accordance with Bulletin D-3. Under U.S. GAAP, such costs are accounted for in accordance with ASC 715 *Compensation – Retirement Benefits* (previously SFAS No. 87, "Employers' Accounting for Pensions"), whereby the liability is measured, similar to Mexican Banking GAAP, using the projected unit credit method at net discount rates. SFAS No. 87 became effective on January 1, 1989 whereas Bulletin D-3 became effective on January 1, 1993. Therefore, a difference between Mexican Banking GAAP and U.S. GAAP exists due to the accounting for the transition obligation at different implementation dates.

Post-retirement benefits are accounted for under U.S. GAAP in accordance with ASC 715 (previously SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"), which applies to all post-retirement benefits, such as life insurance provided outside a pension plan or other postretirement health care and welfare benefits expected to be provided by an employer to current and former employees. The cost of post-retirement benefits is recognized over the employees' service periods and actuarial assumptions are used to project the cost of health care benefits and the present value of those benefits. For Mexican Banking GAAP purposes, as required by Bulletin D-3, we account for such benefits in a manner similar to U.S. GAAP. SFAS No. 106 became effective on January 1, 2003 whereas Bulletin D-3 became effective on January 1, 1993. Therefore, a difference between Mexican Banking GAAP and U.S. GAAP exists due to the accounting for the transition obligation at different implementation dates.

In addition, under U.S. GAAP, the accounting for defined benefit postretirement plans, which include seniority premiums within Mexico, was amended in 2006 such that an employer is required to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer 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, unrecognized items may exist in Mexican FRS which are included as part of the employee benefit liability under U.S. GAAP.

Guarantees

For U.S. GAAP purposes, guarantees are accounted for under ASC 460 *Guarantees* (previously FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others – an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB interpretation No. 34"), which requires that an entity recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing such guarantee. 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.

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, investments in associated companies in which we have a 20 to 50% ownership over which we can exert significant influence on the company, but do not have a controlling interest, are accounted for by the equity method. Investments in which we have less than a 20% ownership are generally accounted for under the cost method.

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.

During 2007, the Mexican tax authorities issued a new Business Flat Tax or IETU. 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, deferred income taxes are also accounted for using the asset and liability approach. However, 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.

In addition to the traditional concept of consolidation, on January 17, 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities – an

Interpretation of ARB No. 51," replaced in December 2003, by Interpretation ASC 810 *Consolidation* (previously No. 46(R) "Consolidation of Variable Interest Entities – an interpretation of APB 51" ("FIN 46R")), which contained certain clarifications to address accounting for variable interest entities. The primary purpose of FIN46R is to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable-interest entities ("VIEs"). Generally, VIEs are to be consolidated by the primary beneficiary which represents the enterprise that will absorb the majority of the VIE's expected losses if they occur, receive a majority of the VIE's residual returns if they occur, or both. Qualifying Special Purpose Entities ("QSPE") and certain other entities are exempt for the consolidation provisions of FIN 46R. As described in ASC 840-40 *Transfers to Qualifying Special Purpose Entities* (previously SFAS No. 140, par. 35), a QSPE is a trust or other legal vehicle that meets certain conditions. Under U.S. GAAP, a QSPE is not consolidated in the financial statements of a transferor or its affiliates.

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. Typically, however, no gain or loss on monetary position is recognized in the financial statements. However, specific rules and regulations established by the Securities and Exchange Commission (SEC) allow for the presentation of inflation in a company's reconciliation from local GAAP to U.S. GAAP for companies registering securities with the SEC for sale in the United States, when, for local purposes, such company prepares comprehensive price-level adjusted financial statements, as required or permitted by their home-country GAAP.

The recording of appraisals of fixed assets is prohibited, with the objective of maintaining historical cost in the balance sheet. Although the effects of inflation are not recognized in the financial statements under U.S. GAAP, the SEC recognizes that presentation indicating the effects of inflation is more meaningful than historical cost-based financial reporting for Mexican entities because it represents a comprehensive measure of the effects of price level changes in the inflationary Mexican economy. For this reason, the effects of inflation accounting are generally not eliminated from the financial statements of Mexican companies making offerings in the United States securities markets in situations when Mexican MFRS or Mexican Banking GAAP are reconciled to U.S. GAAP.

In addition, under MFRS, Bulletin B-15, "Foreign Currency Transactions and Translation of Financial Statements of Foreign Operations" allows the restatement of information for prior periods in order to compare such information to information of the most current period presented, based on a weighted average restatement factor that reflects the relative inflation and currency exchange movements of the countries in which we operate.

The restatement provisions of Bulletin B-15 do not meet the SEC's Regulation S-X requirement that the financial statements be stated in the same currency for all periods, because changes in foreign currency exchange rates are included in the restatement factor. Under U.S. GAAP, the primary financial statements should be presented in the same constant reporting currency for all periods.

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 either the direct or indirect method, presented in nominal pesos. The Company presents a statement of cash flows for the year ended December 31, 2009.

Under U.S. GAAP, ASC 230 *Statement of Cash Flows* (previously SFAS No. 95, “Statement of Cash Flows”), establishes the standards for providing a statement of cash flows in general purpose financial statements. Under U.S. GAAP, presentation of a statement of cash flows describing the cash flow provided by or used in operating, investing and financing activities is required. ASC 230 does not provide guidance with respect to financial statements adjusted for inflation.

However, the AICPA International Practices Task Force has issued guidance for Mexican companies for the preparation of price-level adjusted cash flow statements. Under such guidance, a fourth caption, in addition to operating, financing, and investing activities named “Effects of inflation on cash and cash equivalents” is presented, which is similar to the concept of the effects of exchange rate on cash and cash equivalents as prescribed by ASC 230.

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