GRUPO FINANCIERO
SCOTIABANK INVERLAT, S. A. DE C. V.
A foreign-owned Mexican Holding Company
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2012 and 2011

(With Independent Auditor's Report Thereon)

(Free Translation from Spanish Language Original)

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Independent Auditors' Report
(Free translation from Spanish language original)

The Board of Directors and Stockholders
Grupo Financiero Scotiabank Inverlat, S. A. de C. V.
A foreign-owned Mexican Holding Company:

We have audited the accompanying consolidated financial statements of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. and Subsidiaries ("the Group") which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting criteria for credit institutions in Mexico established by the National Banking and Securities Commission ("the Banking Commission"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. and Subsidiaries as at December 31, 2012 and 2011, have been prepared, in all material respects, in accordance with the accounting criteria for financial group holding companies in Mexico issued by the Banking Commission.

Emphasis of matter

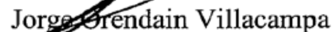
Without qualifying our opinion, we draw attention to the following:

During 2011 and 2012 changes were made to the accounting criteria mentioned in note 3 to the consolidated financial statements.

Other Matters

Previously, and on February 15, 2012, we issued our audit report on the consolidated financial statements of the Group and Subsidiaries as of December 31, 2011 and for the year then ended in accordance with auditing standards generally accepted in México. As required by the Mexican Institute of Public Accountants, ISAs are mandatory in Mexico for audits of financial statements commencing on January 1, 2012; consequently, our audit report on the figures of the Group's consolidated financial statements for 2012 and 2011 is issued on the basis of ISAs.

KPMG CARDENAS DOSAL, S. C.



Jorge Orendain Villacampa

February 22, 2013

GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES
(A foreign-owned Mexican Holding Company)

Consolidated Balance Sheets

December 31, 2012 and 2011

(Millions of Mexican pesos)

Assets		2012	2011
Cash and cash equivalents (note 5)	$	23,371	19,393
Margin accounts		37	69
Investment securities (note 6):			
Trading		29,354	28,034
Available-for-sale		24,883	7,027
Held-to-maturity		2,063	1,977
		56,300	37,038
Debtors under repurchase/resell agreements (debtor balance) (note 7)		-	3,153
Derivatives (note 8):			
Trading purposes		1,584	2,444
Hedging purposes		49	41
		1,633	2,485
Valuation adjustment from hedging of financial assets (note 9f)		63	150
Current loan portfolio (note 9):			
Commercial loans:			
Business or commercial activity		42,008	41,841
Financial entities		6,634	3,460
Government entities		4,945	6,863
		53,587	52,164
Consumer loans		23,256	16,098
Residential mortgages		48,035	43,147
Total current loan portfolio		124,878	111,409
Past due loan portfolio (note 9):			
Commercial loans:			
Business or commercial activity		351	346
Financial entities		-	32
		351	378
Past due consumer loans		602	581
Past due residential mortgages		1,995	2,151
Total past due loan portfolio		2,948	3,110
Total loan portfolio		127,826	114,519
Less:			
Allowance for loan losses (note 9g)		3,708	3,576
Loan portfolio, net		124,118	110,943
Benefits receivable from securitization transactions (note 10b)		160	205
Other accounts receivable, net (notes 5, 6, 8 and 10)		13,966	11,612
Foreclosed assets, net (note 11)		29	17
Premises, furniture and equipment, net (note 12)		4,187	4,077
Permanent investments (note 13)		87	85
Deferred taxes and deferred employee statutory profit sharing, net (note 18)		1,147	687
Other assets:			
Deferred charges, prepaid expenses and intangibles		1,216	1,134
Other short and long term assets		955	716
		2,171	1,850
Total assets	$	227,269	191,764

Liabilities and Stockholders' Equity		2012	2011
Deposit funding (note 14):			
Demand deposits	$	74,345	69,609
Time deposits:			
General public		41,498	47,207
Money market		21,623	-
Credit securities issued		6,222	6,221
		143,688	123,037
Bank and other borrowings (note 15):			
Due on demand		1,068	-
Short-term		2,556	3,145
Long-term		1,964	2,460
		5,588	5,605
Creditors under repurchase/resell agreements (note 7)		22,009	19,325
Assigned securities to be settled (note 6b)		613	731
Collaterals sold or pledged (note 7):			
Repurchase		5,068	-
Securities lending		186	147
		5,254	147
Derivatives (note 8):			
Trading purposes		4,498	4,417
Hedging purposes		468	395
		4,966	4,812
Other accounts payable:			
Income tax payable		113	18
Employee statutory profit sharing payable		349	251
Creditors pending settlement (notes 5, 6 and 8)		5,478	1,687
Sundry creditors and other accounts payable (note 19b)		5,200	5,693
		11,140	7,649
Deferred credits and prepayments		885	795
Total liabilities		194,143	162,101
Stockholders' equity (note 19):			
Paid-in capital:			
Capital stock		4,507	4,507
Earned capital:			
Statutory reserves		901	901
Retained earnings		22,940	20,798
Unrealized gain from valuation of available-for-sale securities		451	372
Results from valuation of cash flow hedge instruments (note 8)		(193)	(57)
Net income		4,520	3,142
		28,619	25,156
Total stockholders' equity		33,126	29,663
Commitments and contingencies (note 22)			
Total liabilities and stockholders' equity	$	227,269	191,764

(Continued)

GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES
(A foreign-owned Mexican Holding Company)

Consolidated Balance Sheets, Continued

December 31, 2012 and 2011

(Millions of Mexican pesos)

Memorandum accounts (notes 7, 9a, 9f and 20)

	2012	2011
Transactions on behalf of third parties		
Customer current accounts:		
Customer banks	$ 31	13
Settlement of customer transactions	42	188
Other current accounts	237	223
	310	424
Custody operations:		
Customer securities in custody	219,199	201,932
Transactions on behalf of customers:		
Securities repurchase/resell agreements by customers	82,789	53,713
Securities lending transaction by customers	65	81
Collaterals received in guarantee by customers	45,809	32,662
Collaterals delivered in guarantee by customers	38,980	22,607
Managed trusts	145	176
	167,788	109,239
Investment banking transactions on behalf of third parties (net)	84,457	63,934
Total transactions on behalf of third parties	$ 471,754	375,529

	2012	2011
Transactions by own behalf		
Contingent assets and liabilities	$ 3	74
Assets in trust or under mandate:		
Trusts	127,183	127,943
Mandate	28,906	26,833
	156,089	154,776
Assets in custody or under management	560,956	616,639
Loan commitments	356,255	338,005
Collaterals received by the entity:		
Government debt	39,521	37,085
Net worth instruments	342	2
Other securities	23,352	23,866
	63,215	60,953
Collaterals received and sold or pledged by the entity:		
Government debt	43,703	49,679
Bank debt	459	800
Other debt securities	301	–
Net worth instruments	186	–
	44,649	50,479
Interest earned but not collected arising from past due loan portfolio	156	165
Other accounts	418,483	523,950
Total by own behalf	$ 1,599,806	1,745,041

"The historical capital stock amounts to $3,111 at December 31, 2012 and 2011."

See accompanying notes to consolidated financial statements.

"These balance sheets, consolidated with those of the financial and other entities comprising the Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Holding Company and the financial and other entities comprising the Group that are subject to consolidation, as of the dates indicated above. Furthemore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

"These consolidated balance sheets faithfully match with the original consolidated balance sheets , which are properly signed and held by the Financial Group"

Troy Wright (Sign)	Michael Coate (Sign)	Agustín Corona Gahbler (Sign)	H. Valerio Bustos Quiroz (Sign)
General Director	Deputy General Director Finance and Business Intelligence	Deputy General Director Group Audit	Director of Group Accounting

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GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES

(A foreign-owned Mexican Holding Company)

Consolidated Statements of Income

Years ended December 31, 2012 and 2011

(Millions of Mexican pesos)

		2012	2011
Interest income (note 21)	$	17,227	15,841
Interest expense (note 21)		(6,292)	(5,920)
Financial margin		10,935	9,921
Allowance for loan losses (note 9g)		(1,359)	(2,047)
Financial margin adjusted for allowance for loan losses		9,576	7,874
Commission and fee income (note 21)		3,701	3,239
Commission and fee expense		(447)	(437)
Financial intermediation income (note 21)		743	909
Other operating income (note 21)		3,041	2,957
Administrative and promotional expenses		(11,380)	(10,552)
		(4,342)	(3,884)
Net operating income		5,234	3,990
Equity in the results of operations of associated companies, net		1	2
Income before income taxes		5,235	3,992
Current income taxes (note 18)		(1,021)	(745)
Deferred income taxes, net (note 18)		306	(105)
		(715)	(850)
Net income	$	4,520	3,142

See accompanying notes to consolidated financial statements.

"These statements of income, consolidated with those of the financial and other entities comprising the Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the revenues and disbursements relating to the transactions carried out by the Holding Company and the financial and other entities comprising the Group that are subject to consolidation, for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

"These consolidated statements of income faithfully match with the original consolidated statements of income, which are properly signed and held by the Financial Group."

Troy Wright (Sign)
General Director

Michael Coate (Sign)
Deputy General Director Finance and Business Intelligence

Agustín Corona Gahbler (Sign)
Deputy General Director Group Audit

H. Valerio Bustos Quiroz (Sign)
Director of Group Accounting

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GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES
(A foreign-owned Mexican Holding Company)

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2012 and 2011

(Millions of Mexican pesos)

		Earned capital					
	Capital stock	Statutory reserves	Retained earnings	Unrealized gain from valuation of available-for-sale securities	Gain from valuation of cash flow hedge instruments	Net income	Total stockholders' equity
Balances as of December 31, 2010	$ 4,507	901	21,162	332	50	2,936	29,888
Changes resulting from stockholder resolutions:							
Resolution passed at the Ordinary General Stockholders' Meeting of April 30, 2011 – Appropriation of 2010 net income	-	-	2,936	-	-	(2,936)	-
Dividends declared (note 19b)							
Ordinary Annual General Stockholders´ Meeting:							
April 28, 2011	-	-	(1,300)	-	-	-	(1,300)
November 25, 2011	-	-	(2,000)	-	-	-	(2,000)
	-	-	(364)	-	-	(2,936)	(3,300)
Changes related to the recognition of comprehensive income (note 19c):							
Valuation effects, of available-for-sale securities and cash flow hedge instruments, net of deferred taxes and ESPS for $19 and $6, respectively (notes 6 and 8)	-	-	-	40	(107)	-	(67)
Net income	-	-	-	-	-	3,142	3,142
Total comprehensive income	-	-	-	40	(107)	3,142	3,075
Balances as of December 31, 2011	4,507	901	20,798	372	(57)	3,142	29,663
Changes resulting from stockholder resolutions:							
Resolution passed at the Ordinary General Stockholders' Meeting of April 30, 2012 – Appropriation of 2011 net income	-	-	3,142	-	-	(3,142)	-
Dividends declared (note 19b)							
Ordinary Annual General Stockholders´ Meeting:							
April 28, 2011	-	-	(1,000)	-	-	-	(1,000)
	-	-	2,142	-	-	(3,142)	(1,000)
Changes related to the recognition of comprehensive income (note 19c):							
Valuation effects, of available-for-sale securities and cash flow hedge instruments, net of deferred taxes and ESPS for $10 and $4, respectively (notes 6 and 8)	-	-	-	79	(136)	-	(57)
Net income	-	-	-	-	-	4,520	4,520
Total comprehensive income	-	-	-	79	(136)	4,520	4,463
Balances as of December 31, 2012	$ 4,507	901	22,940	451	(193)	4,520	33,126

See accompanying notes to consolidated financial statements.

"These statements of changes in stockholder's equity, consolidated with those of the financial and other entities comprising the Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the stockholder's equity account entries relating to the transactions carried out by the Holding Company and the financial and other entities comprising the Group that are subject to consolidation, for the years noted above. Furthemore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

"These consolidated statement of changes in stockholder's equity faithfully match with the original consolidated statement of changes in stockholder's equity which are properly signed and held by the Financial Group."

Troy Wright (Sign)
General Director

Michael Coate (Sign)
Deputy General Director Finance
and Business Intelligence

Agustín Corona Gahbler (Sign)
Deputy General Director Group Audit

H. Valerio Bustos Quiroz (Sign)
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GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES
(A foreign-owned Mexican Holding Company)

Consolidated Statements of Cash Flows

Years ended December 31, 2012 and 2011

(Millions of Mexican pesos)

	2012	2011
Net income	$ 4,520	3,142
Items not requiring (providing) cash flow:		
Impairment losses or impairment reversal in investing and financing activities	43	(26)
Depreciation of premises, furniture and equipment	382	311
Amortization of intangible assets	41	6
Provisions	1,871	2,668
Current and deferred income taxes	715	850
Equity in the income of associated companies	(1)	(2)
Other	95	(21)
Subtotal	3,146	3,786
Operating activities:		
Change in margin accounts	32	164
Change in investment securities	(19,554)	866
Change in debtors under repurchase / resell agreements	3,153	10,034
Change in derivatives (assets)	3,036	(528)
Change in loan portfolio (net)	(14,534)	(10,891)
Change in benefits receivable from securitization transactions	88	23
Change in foreclosed assets (net)	(12)	5
Change in other operating assets (net)	(2,597)	(3,107)
Change in deposit funding	20,651	(2,789)
Change in bank and other borrowings	(17)	1,001
Change in creditors under repurchase / resell agreements	2,683	(220)
Change in securities lending (liabilities)	(1)	-
Change in collaterals sold or pledged	5,107	21
Change in derivatives (liabilities)	(2,231)	542
Change in other operating liabilities	3,745	568
Change in hedging instruments (of hedged items related to operating activities)	-	(11)
Collection of income tax	324	-
Payments of income taxes	(884)	(236)
Net cash flows from operating activities	(1,011)	(4,558)
Investing activities:		
Payments for acquisition of premises, furniture and equipment	(492)	(624)
Collections of cash dividends	1	-
Payments for acquisition of intangible assets	(186)	(139)
Collections for acquisition of subsidiary and associated companies	-	(3)
Net cash flows from investing activities	(677)	(766)
Net cash flows from financing activities for payment of dividends (note 19b)	(2,000)	(2,910)
Net increase (decrease) in cash and cash equivalents	3,978	(1,306)
Cash and cash equivalents at beginning of year	19,393	20,699
Cash and cash equivalents at end of year	$ 23,371	19,393

See accompanying notes to consolidated financial statements.

"These statements of cash flows, consolidated with those of the financial and other entities comprising the Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the cash flows and cash out flows relating to the transactions carried out by the Holding Company and the financial and other entities comprising the Group that are subject to consolidation,for the years noted above. Furthemore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

"These consolidated statements of cash flows faithfully match with the original consolidated statements of cash flows, which are properly signed and held by the Financial Group."

Troy Wright (Sign)
General Director

Michael Coate (Sign)
Deputy General Director Finance and Business Intelligence

Agustín Corona Gahbler (Sign)
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These consolidated financial statements have been translated from the Spanish language original solely for the convenience of foreign/English-speaking readers.

(1) Description of business and significant transactions-

Description of business-

Grupo Financiero Scotiabank Inverlat, S. A. de C. V. (the Holding Company) is a subsidiary of The Bank of Nova Scotia (BNS), which owns 97.3% of its capital stock; it is authorized to buy and administer the voting stock issued by financial and brokerage entities, auxiliary credit organizations, and other entities primarily engaged in providing complementary or auxiliary services to one or more of such financial entities.

As at December 31, 2012 and 2011, the Holding Company and its subsidiaries (the Group) is as follows:

- Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (the Bank), dedicated to carry out multiple-service banking transactions in accordance with the Credit Institutions Law comprising, amongst other activities, accepts deposits from the general public, grants and receives loans, engages in securities transactions and provides trust services. The Bank has six subsidiaries that consolidate (a real estate banking entity, two companies of complementary banking services, an operating company listed on the el Mercado Mexicano de Derivados, S. A. de C. V. (MexDer) and two trust purchasers of shares of capital stock of MexDer).

- Scotia Inverlat Casa de Bolsa, S. A. de C. V. Grupo Financiero Scotiabank Inverlat (the Brokerage Firm), is a company authorized to act as intermediary in securities and financial transactions; and

- Scotia Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Scotiabank Inverlat (the Management Company), is a company authorized to act as the operator of an investment company within the meaning of applicable laws.

- Servicios Corporativos Scotia, S. A. de C. V., (SECOSA) is engaged in providing personnel and technical advisory services in areas such as: human resources, finance and legal.

- From November 30, 2012, Crédito Familiar, S. A. de C. V., Sociedad Financiera de Objeto Múltiple Entidad Regulada, Grupo Financiero Scotiabank Inverlat (Crédito Familiar), engaged in granting personal consumer loans. Crédito Familiar has two consolidating subsidiaries (a service company and an asset management company).

(Continued)

Significant transactions in 2012-

(a) Acquisition of Crédito Familiar SOFOM ER.-

On August 13, 2012, a purchase agreement was entered into by the Financial Group as buyer, and Crédito Familiar, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada (SOFOM E. R.), member of Grupo Financiero Banamex, currently Operadora e Impulsora de Negocios, S.A. de C.V., SOFOM E.R., member of Grupo Financiero Banamex, as seller, whereby the Financial Group undertakes to acquire all except one of the shares representing the capital stock of CF Promotora de Negocios S. A. de C. V., SOFOM E. R., currently, Crédito Familiar. The acquisition was completed on November 30 when the Financial Group became the holder of the total but one of the shares of Crédito Familiar. As a result of the preliminary fair values of the assets acquired and the liabilities assumed in virtue of the acquisition, the Financial Group recognized a goodwill of $94. The line of business of Crédito Familiar focuses on granting personal consumer loans.

At December 31, 2012, the Group had not completed the valuation and measurement process of the fair values of the assets acquired and the liabilities assumed in the acquisition. The process is expected to be completed over the twelve months following the acquisition, in accordance with the applicable accounting criteria.

(b) Placement of Securitized Bond Certificates-

On November 29, 2012, the Bank issued bank bond certificates for $2,000 to investors, paying a variable interest rate and maturing in November 2015. The placement is part of a revolving certificate program amounting to $15,000 (see note 14).

(c) Acquisition of Collection Rights-

On November 30, 2012, through a promissory note, the Bank acquired the collection rights of a trust backed by operating lease assets for up $1,000, which may be drawn down in one or multiple occasions, the minimum drawdown amount being $50. The promissory note matures in November 2018 and bears monthly interest at the 28-day TIIE rate plus 160 points over the unpaid principal amount (see note 10a).

(d) Increase in Acquisition of Collection Rights-

During fiscal year 2012, the Bank acquired new collection rights on two trusts backed by automotive portfolio for $2,932 and $1,500, maturing in June 2017 and February 2016, respectively. The acquisitions were made under the same conditions described in the original agreement (See note 10a).

During fiscal year 2012, the Bank acquired new receivables on credit assets by of $850 through a trust, maturing in June 2015. The acquisition was part of the same condition described in the original agreement (See note 10a).

(e) Crédito Familiar Loan-

On November 30, 2012, the Bank granted credit lines to its related party Crédito Familiar, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada for $3,470. The credit line matures on November 5, 2015 and bears monthly interest at fixed annual rates from 6.34% to 7.10% over the unpaid principal amount. The effects of these transactions were eliminated in the consolidation of the accompanying financial statements of the Group.

(f) Scotiabank Chile Loan-

On December 4, 2012, the Bank granted a simple loan to its related party Scotiabank Chile for 200 million dollars (4,181,767 Unidades de Fomento (UF) (Development Units)) maturing on March 31, 2016, and bearing semi-annual interest at a fixed annual rate of 3.46% over the unpaid principal amount of UF.

(g) Return of income taxes-

In August 2012, the Brokerage Firm was granted an income tax refund for $203 as a result of the judgment in its favor handed down by the Third Regional Metropolitan Division of the Federal Fiscal and Administrative Justice Court, as established in official letter number 900-06-02-03-00-2012-50421. Such judgment enables deducting the total tax loss from selling shares for fiscal years 2000 and 2001; in such years, the Income Tax Law only allowed the deduction of this loss up to the maximum profits generated by the same concept. The refund amount was recorded in “Other income” in the statement of income.

(h) Incorporation of mutual funds-

On May 2012, the Management Company incorporated the following two mutual funds investing in equities: "Scotia Global", Sociedad Anónima de Capital Variable and "Scotia Cartera Modelo", Sociedad Anónima de Capital Variable, as well as an mutual funds investing in debt instruments: "Fondo de Fondos Scotiabank de Mediano Plazo", Sociedad de Inversión en Instrumentos de Deuda. The Management Company contributed $1 to each of the mutual funds. Such contributions are represented by Class "A" shares (minimum fixed portion without right for withdrawal). Such companies became public on June 15, 2012.

In October 2012, the Management Company incorporated the equity fund called "Scotia Dinámico" Sociedad Anónima de Capital Variable", making an initial capital contribution of $1,000. Such contribution is represented by Class "A" shares (minimum fixed portion without right for withdrawal). Such company became public on November 27, 2012.

Significant transactions in 2011-

(a) Acquisition of collection rights-

On December 19, 2011, the Bank entered into an agreement for acquiring, through a promissory note, collection rights of a personal loans portfolio related to a private securitization through a trust whose principal asset is the portfolio itself amounting to $1,500, bearing interest at an annual fixed interest rate of 28 days TIIE plus a spread of 100 basis points maturing in June, 2015 (see note 10a).

On January 28, 2011, the Bank entered into an agreement for acquiring, through a promissory note, collection rights of an automotive portfolio related to a private securitization through a trust whose principal asset is the portfolio itself amounting to $1,500, bearing interest at an annual fixed interest rate of 28 days TIIE plus 175 basis points maturing in February, 2016 (see note 10a).

(b) Increased acquisition of receivables-

During fiscal year 2011 the Bank acquired new receivables on automotive portfolio by $2,828 through a trust that the Bank restructured in June 2010, maturing in June 2017. The acquisitions were part of the same conditions described in the contract restructured (see note 10a).

(Continued)

(2) Summary of significant accounting policies-

(a) Financial statement authorization, presentation and disclosure-

On February 22, 2013, Troy Wright (General Director), Michael Coate (Deputy General Director Finance and Business Intelligence), Agustín Corona Gahbler (Deputy General Director Group Audit) and H. Valerio Bustos Quiroz (Director of Group Accounting) authorized the issuance of the accompanying audited consolidated financial statements and related notes.

The Group's consolidated financial statements include those of its subsidiaries: the Bank, the Brokerage Firm, the Fund Manager, SECOSA and Crédito Familiar. Significant intercompany balances and transactions have been eliminated in consolidation. The consolidation was carried out using the audited financial statements of the subsidiaries as of and for the years ended December 31, 2012 and 2011.

The Stockholders and the National Banking and Securities Commission (Banking Commission) are empowered to modify the consolidated financial statements after issuance. The accompanying 2012 consolidated financial statements will be submitted to the next Stockholders' Meeting for approval.

The consolidated financial statements have been prepared, based on the applicable banking legislation, in conformity with the accounting criteria for financial group holding companies in Mexico, established by the Banking Commission. The Banking Commission is responsible for the inspection and supervision of financial group holding companies and for reviewing their financial information.

The accounting criteria provide that in the absence of an express accounting criterion of the Banking Commission for financial group holding companies, and in a wider context the Mexican Financial Reporting Standards (FRS), issued by the Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A. C. or CINIF), the suppletory processes as established by FRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by FRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to other regulatory framework may be opted for, providing all the requirements set out by the FRS are met by the standard. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and any other formal and recognized accounting standard, provided it complies with the requirements of criterion A-4 of the Banking Commission.

(Continued)

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The major items subject to such estimates and assumptions include the valuation of financial instruments, allowance for loan losses and deferred tax assets. The actual results may differ from those estimates and assumptions.

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

For purposes of disclosure in the notes to the consolidated financial statements, "pesos" or "$" refers to Pesos in millions, and when reference is made to "millions of dollars" or "USD", it means dollars of the United States of America.

Assets and liabilities related to the purchase and sale of foreign currencies, investment in securities, securities repurchase/resell agreements and derivative financial instruments are recognized in the consolidated financial statements on the day the transactions are entered into, regardless of the settlement date.

(b) Recognition of the effects of inflation-

The accompanying consolidated financial statements include the recognition of inflation up to December 31, 2007.

The year ended December 31, 2012 is considered non-inflationary economic environment (inflation accumulated over the three preceding years less than 26%), as established in NIF B-10 "Effects of inflation", consequently the effects of inflation on the Group's financial information are not recognized. The accumulated inflation rate of the three preceding years and the indexes used to recognize inflation, are as follows:

		Inflation	
December 31,	**UDI**	**Annual**	**Accumulated**
2012	$ 4.874624	3.91%	12.31%
2011	4.691316	3.65%	12.12%
2010	4.526308	4.29%	15.09%

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(Millions of Mexican pesos)

(c) Cash and cash equivalents-

Cash and cash equivalents consist of cash in hand, precious metals (coins), deposits with banks in pesos and dollars, as well as 24 and 48-hour foreign currency purchase and sale transactions. Also includes bank borrowings with original maturities of up to three days ("Call Money"), recognized as restricted cash and deposits in Banco de Mexico (Central Bank); which include the regulation monetary deposits that the Bank is required to maintain in conformity with the provisions issued by the Central Bank, for the purpose of regulating liquidity in the financial market, the deposits lack term, are recognized as restricted cash and bear interest at the average funding rate. The cash and cash equivalents are recognized at nominal value.

The outright notes receivable, when not collected within the following due dates will be considered as other accounts receivables:

– Transactions with Mexican entities: 2 business days after the transaction took place.

– Transactions with foreign entities: 5 business days after the transaction took place.

When the documents detailed above are not collected within the established deadlines, the related amounts will be transferred to the originating item, as applicable, either "Sundry Debtors" or "Loan Portfolio", and due consideration should be given to the provisions of criteria A-2, "Application of Particular Standards", and B-6 "Credit Portfolio", respectively.

Transactions transferred to "Sundry Debtors", not settled within fifteen days following the transfer date will be classified as past due debts and an allowance for their total amount recorded will be recorded concurrently.

Documents subject to final collection are recorded in suspense accounts under the item "Other accounts".

Checking account overdrafts, as reported in the group statement issued by the corresponding credit institution, are shown in "Sundry creditors and other payables".

The foreign exchange acquired in purchase transactions to 24 and 48 hours, are recognized as restricted cash (foreign currency for received), while the currency sold is recorded as cash outflow (foreign currency for delivery). The rights and obligations for the sales and purchases of foreign exchange at 24 and 48 hours are recorded in "Other accounts receivable " and "Creditors pending settlement", respectively.

(Continued)

(d) Margin accounts-

The margin accounts relate to transactions with derivative financial instruments executed in recognized stock markets or exchanges, where highly liquid financial assets are deposited to ensure the performance of the obligations corresponding to such instruments, in order to mitigate the risk of default. The amount of the deposits relates to the initial margin and subsequent contributions or withdrawals by the Brokerage Firm and the clearing house over the term of the derivative financial instruments contract.

Cash accounts are recognized at nominal value and are reported under the caption "Margin Accounts (derivatives)". Returns and commissions affecting the margin accounts, other than fluctuations in derivatives prices, are recognized in results of operations as accrued for the year under the caption "Interest income" and "Commissions and fees expenses", respectively. The partial or total amounts deposited or withdrawn by the clearing house owing to price fluctuations of derivatives are recognized in "Margin accounts" affecting, in turn, a specific account that may be either debit or credit in nature, as applicable, which shall reflect derivative valuation effects prior to their settlement.

(e) Investment securities-

Investment securities consist of equities, government securities, bank promissory notes, and other debt securities, which are classified using the categories mentioned below, based on the intention and ability of management on their holdings.

Trading securities-

Those to obtain short-term gains arising from differences in prices resulting from its operation in the market. Securities are recognized at fair value, transaction costs for the acquisition of securities are recognized in income on the acquisition date, subsequently valued at fair value provided by an independent price vendor. When the securities are sold, the difference between the purchase price and the sale price determines the result for sale, which is recognized in year´s income, must cancel the result of valuation that has been previously recognized in the income statement.

Interest earned from debt securities is recognized under the effective interest method in the year's income under the caption "Interest income". Dividends from net equity instruments are recognized in the year's income when the right to receive payment thereof arises. Valuation effects are recognized in the year's income within the caption of "Valuation (loss) gain on securities at fair value". Results for purchases and sales of securities are presented under the caption "Gain on purchase and sale of securities" or "Loss on purchase and sale of securities", whichever is applicable.

(Continued)

Available-for-sale securities-

Those whose intention is not oriented to obtain profits from differences in prices in the short term or does not have the intention or capacity to hold to maturity. These securities are valued in the same manner as trading securities, recognizing the effect of valuation in stockholders' equity under "Unrealized gain from valuation of available-for-sale securities", net of deferred taxes, which is cancelled for its recognition in income at the time of sale within the caption of "Financial intermediation income". Accrued interest is recognized under the effective interest method under "Interest income or expense".

Held-to-maturity securities-

Those debt securities with fixed or determinable payments and with fixed maturity, regarding neither the intention and capacity to hold to maturity. These securities are initially recognized at fair value; and later are valued at amortized cost, which implies that the amortization of the premium or discount as well as the transaction costs form part of interest earned recognized in income under "Interest income". Interest is recognized in income as earned and when the securities are sold, the sales gain or loss is recognized for the difference between the net realizable value and the book value of the securities within the caption of "Financial intermediation income".

Impairment of securities-

Where sufficient objective evidence exists that a security available for sale or held to maturity has been impaired, the carrying amount of the security is modified and the loss is recognized in income under "Financial intermediation income". For available-for-sale securities, the valuation recognized in equity is canceled.

Value date transactions-

Securities acquired where settlement takes place on a subsequent date, up to a maximum of four business days following the date of the purchase-sale transaction, are recognized as restricted securities, while securities sold are recognized as securities to be delivered, and are deducted from investments securities. The counter entry is a credit or debit to a settlement account, as applicable. Where the amount of securities to be delivered exceeds the balance of own securities of the same type in position (government, bank, equity and other debt securities), this is reflected as a liability under "Assigned securities to be settled".

(Continued)

Transfers between categories-

Only transfers from held-to-maturity to available-for-sale securities are possible, provided it is not intended to hold them until maturity. Valuation adjustments at the date of the transfer are recognized in stockholders' equity. In the case of reclassifications of securities to the category held to maturity, or of securities from trading to available for sale, this is only permissible with the express authorization of the Banking Commission.

(f) Repurchase/resell agreements-

At the trade date of the repurchase/resell agreement transaction, the Group acting as repurchase recognizes either the cash inflow or a debit clearing account, as well as an account payable, whereas when acting as repurchase recognizes either the cash outflow or a credit clearing account, as well as an account receivable. Both the account receivable and the account payable are initially stated at the agreed-upon price, representing the obligation to repay or the right to recover the cash, respectively.

Over the term of the repo, the account receivable and the account payable are valued at the amortized cost, recognizing the interest on repos in the result of operations for the year as earned, in accordance with the effective interest method. The interest is recognized under the financial statement caption “Interest income” or “Interest expense”, as appropriate. The account receivable and the account payable, as well as the interest earned are reported in the financial statement caption “Debtors under repurchase/resell agreements” and “Creditors under repurchase/resell agreements”, respectively.

The Group acting as repurchasee recognizes the received collateral in memorandum accounts within the caption of "Collaterals received by the entity", in accordance with accounting criterion B-9 “Assets in custody and under management”. Financial assets granted as collateral, when the Group is acting as repurchaser, are reclassified on the consolidated balance sheet within the caption of “Investment securities”, reporting it as a restricted asset.

Should the Group, acting as repurchasee sell or pledge the collateral, the transaction proceeds and an account payable is recorded for the obligation to return the collateral to the repurchaser, which is valued, in the case of sale at fair value, or if pledged in another sale and repurchase agreement, at amortized cost. The account payable is offset with the account receivable, which is recognized when the Group acting as repurchase turn becomes as repurchaser and the debit or credit balance is presented under the caption "Debtors under repurchase/resell agreements" or in "Collateral sold or pledged", as applicable.

Also, in the case of transactions in which the Group is acting as repurchasee, and sells, or pledges the collateral received, recognizes such collateral in memorandum accounts within the caption of "Collaterals received and sold or pledged by the entity", in accordance with accounting criterion B-9 “Assets in custody and under management”.

(Continued)

(g) Securities lending-

At the date of contracting the securities lending transactions, the Group acting as lender, transfers the security to the borrower and reclassifies in the balance sheet under the caption "Investments securities" presenting as restricted, while acting as borrower the security borrowed is recognized in memorandum accounts under the caption "Collaterals received by the entity", according to the guidelines for valuation of criteria "Custody and property management". The accrued premium is recognized in the income statement under the caption "Interest income" or "Interest expense", as appropriate, acting the Group as a lender or borrower, respectively, through the effective interest method over the term of the operation, against an account receivable or payable, which is presented under the caption "Securities lending", the asset and liability, as applicable.

In the case of the Group if prior to the maturity of the securities loan transaction sells the collateral received as lender or the transaction value as borrower, recognizes the inflow of funds coming from the sale and an account payable for the obligation to return such collateral to the lender, which is initially measured at the agreed-upon price and subsequently marked to market. The sale of collateral received are presented within "Collaterals sold or pledged". The difference between the price received and the fair value of the security subject to the transaction or of the collateral received, if any and existing at the time of the sale, is presented in the caption of "Gain on purchase and sale of securities" or "Loss on purchase and sale of securities", as applicable.

In dealing with securities loan transactions where the financial assets pledged or granted as the value subject matter of the transaction, and the Group acts as the borrower or lender, respectively, come from collateral received in other transactions, the control of such collateral is recorded in memorandum accounts under "Collateral received and sold or pledged as security by the entity", following the valuation guidelines of criterion B-6 "Assets in Custody or Under Management."

(h) Derivatives financial instruments-

Transactions with derivative financial instruments comprise those that are carried out for trading or hedging purposes. Irrespective of their purpose, these instruments are recognized at fair value.

The valuation effect of financial instruments for trading purposes is shown in the consolidated balance sheet and consolidated statement of income under "Derivatives" and "Financial intermediation income, net", respectively.

(Continued)

The effective portion of the valuation adjustments of hedges designated for cash flow purposes is recognized in stockholders' equity, while the ineffective portion of the change in fair value is recognized under "Financial intermediation income". These valuation effects are presented in the consolidated balance sheet under “Derivatives”. The gain or loss associated with the coverage of the forecasted transaction that has been recognized in stockholders’ equity, is reclassified to the consolidated statement of income within the same caption that presents the result of valuation of hedged party attributable to the hedged risk, in the same period during which the hedged forecasted cash flows affect the year’s results of operations.

If the cash flow hedge instrument reaches maturity, is exercised, terminated or the hedge does not meet the requirements to be deemed effective, the hedge designation is de-designated, while the valuation of the cash flow hedge instrument within stockholders' equity remains in this caption and is recognized in the year's results when the forecast transaction occurs, in the same caption which presents the gain or loss of the valuation attributable to the hedged risk.

The gain or loss arising from valuing the fair value hedge instrument is recognized in the consolidated balance sheet under “Derivatives” and in the consolidated statement of income in “Interest income” and “Financial intermediation income”, since they correspond to interest rate hedges of loan portfolio and investments securities classified as available-for-sale, respectively. The result of valuation of the item attributable to the hedged risk is recognized on the consolidated balance sheet under “Valuation adjustments from hedging of financial assets” and recognized in the year’s income in the case of loan portfolio, in “Interest income”, while for investments securities classified as available-for-sale, in “Financial intermediation income”.

(i) Settlement of clearing accounts-

Amounts receivable or payable for investment securities, securities repurchase/resell agreements and/or derivative financial instruments, which have expired but have not been settled at the balance sheet date, including the amounts receivable or payable for purchase or sale of foreign currencies, which are not for immediate settlement or those with a same day value date, are recorded in clearing accounts.

The balances of clearing accounts, credit and debit are offset as long as it has the contractual right to offset amounts recognized, there is an intention to settle on a net basis, come from the same kind of operation and are settled on the same maturity date. The clearing accounts are shown under the financial statement caption “Other accounts receivable, net” or “Creditors pending settlement”, as appropriate.

(Continued)

(j) Loan portfolio-

Represents the balance of the total or partial dispositions of the credit lines provided to clients plus uncollected accrued interest, less interest collected in advance. The allowance for loan losses is presented deducting the loan portfolio balances.

Undrawn credit lines are recorded in suspense accounts, under "Loan commitments".

At the time of contracting, transactions with letters of credit are recorded in suspense accounts under "Loan commitments" which, upon being used by the client or its counterparty are transferred to the loans portfolio.

Past due loans and interest-

Outstanding loans and interest balances are classified as past due according to the following criteria:

a) if the debts consist in loans with a single payment of principal and interest at maturity and are 30 or more calendar days past due;

b) if the debts refer to loans with a single payment of principal at maturity and periodic payments of interest, and the respective interest payment is 90 or more calendar days past due, or principal is 30 or more calendar days past due;

c) if debts consist of loans with principal and interest periodic partial payments, including mortgage loans, and are 90 or more calendar days past due;

d) if debts consist of revolving loans, when unpaid for two monthly normal billing periods or, where the billing period is other than monthly, when 60 or more calendar days past due, and

e) overdrafts from checking accounts, and immediate payment notes receivable, upon occurrence of such event.

(Continued)

In addition, a loan is classified as past due when the debtor files for bankruptcy protection.

Whenever a loan is transferred to the past-due portfolio, accrual of interest is discontinued and record thereof is kept in memorandum accounts; also suspending the amortization in the year's results of the financial income accrued. Once collected, such interest is recognized directly in income statement under "Interest income". Recognition in income statement of interest income resumes when the portfolio ceases to be past due.

An allowance is constituted for an amount equal to the total of uncollected accrued interest corresponding to loans deemed past due at the time the loan is transferred to the past due portfolio. For past-due loans, which restructuring agrees the capitalization of earned, uncollected interest previously recorded in memorandum accounts, an allowance is created for the total of such interest amount. The allowance is written off when there is evidence of sustained payment.

Past due loans are reclassified as current when the past due principal and interest has been fully paid by the debtor, except for restructured loans or renewals, which are transferred to current portfolio when have been made sustained payment.

Unless there is evidence of sustained payments, past due loans restructured or renewals shall remain within the past due portfolio.

Loans with a single payment of principal at maturity and periodic interest payments, as well as loans with a single payment of principal and interest at maturity being restructured during the term of the loan or renewed anytime shall be considered as past due, while there is no evidence of sustained payment.

Current loans that are restructured or renewed, without at least 80% of the original loan term having elapsed, shall be deemed to be current only when the borrower has:

i) paid the total accrued interest, and
ii) paid the original principal loan amount at the renewal or restructuring date.

(Continued)

Renewed or restructured loans where the borrower fails to meet the above conditions will be deemed past due from the renewal or restructuring date until there is evidence that sustained payments are being made.

Restructured or renewed revolving loans shall, at any time, be regarded as current only when the borrower has paid off the totality of accrued interest, there are no unpaid loan installments and there is evidence to prove the debtor's repayment capability.

Loan due and payable principal and interest amounts which, at the restructuring date, have been repaid in full and for which one or several or several loan conditions have been changed, shall not be deemed restructured:

i) Guarantees: only when involving the extension or replacement with better quality guarantees.
ii) Interest rate: when the agreed-upon interest rate is improved.
iii) Currency: provided the rate corresponding to the new currency is applied.
iv) Payment date: only if the change does not represent exceeding or modifying the frequency of payments. In no case shall the change in the payment date enable omitting the payment in any given period.

The Group periodically evaluates if a past due loan should remain in the consolidated balance sheet or be written down, provided a provision has been created for 100% of the loan amounts. Such write down is made by cancelling the unpaid loan balance against the allowance for loan losses previously created for each loan.

(k) Allowance for loan losses-

Allowance for loan losses represents management's best estimate of probable losses inherent in the loan portfolio as well as guarantees issued and irrevocable loan commitments. The allowance for loan losses is described as follows:

Commercial loans – The allowances for the commercial loans are based on the individual assessment of the credit risk of borrowers and their classification, in accordance with the General Regulations applicable to the methodology for rating of the loan portfolio of credit institutions (the "Provisions"), established by the Banking Commission. For these effects there are no allowance for the guaranteed portfolio by the Federal Government, the Central Bank and the Mexican Institute for Bank Savings Protection (IPAB) in accordance with the rules for rating the loan portfolio of full-service banks, of the Ministry of Finance and Public Credit (SHCP).

(Continued)

Internal credit rating models authorized by the Banking Commission are used for the loan portfolio of legal entities and individuals carrying out business activities, which are considered in assessing the following risk factors: (i) country risk; (ii) financial performance; (iii) financial hedging; (iv) debtor's management; (v) overall strength (customer's relation with the environment, competitiveness, strengths and weaknesses); (vi) account management; (vii) industry conditions; and (viii) repayment history. Of this portfolio, the segment corresponding to debtors with total loans not exceeding 2 million of UDIS is not rated individually by applying the "Parametric Methodology" described in Exhibit 17 of the Provisions.

On October 5, 2011, the Banking Commission published in the Official Gazette a Resolution amending the methodology for creating allowances for losses of commercial loans granted to Mexican states and municipalities, going from an incurred loss to an expected loss model (see note 3 IV).

The allowance percentages are determined based on the risk levels, according to the following table:

Grade of risk	Ranges of allowance percentages
A1	0 – 0.50 %
A2	0.51 – 0.99 %
B1	1 – 4.99 %
B2	5 – 9.99 %
B3	10 – 19.99 %
C1	20 – 39.99 %
C2	40 – 59.99 %
D	60 – 89.99 %
E	90 – 100 %

Mortgage loans **–** Allowance for mortgage loans losses until February 28, 2011, were assessed for the impairment of the credits collectively calculating the losses based in the percentages set forth by the Provisions.

On October 25, 2010, the Banking Commission published in the Official Gazette a Resolution that, as of March 1, 2011 modified the calculation of the reserve for housing loans using the balances corresponding to the last day of each month. Furthermore, factors such as the following are taken into consideration: (i) amount payable; (ii) payment made; (iii) house value; (iv) outstanding loan balance; (v) days of delinquency; (vi) loan denomination; and (vii) file documentation the Bank uses. The total amount to reserve for each assessed loan is the result of multiplying the likelihood of default by the severity of the loss and the exposure to default. (See note 3 III).

(Continued)

In determining the severity of the loss the loan recovery rate component, which is affected if the loan has a guarantee trust or stipulation, classifying by regions the states in which such courts reside.

The allowances were determined in accordance with the degree of risk and the allowance for loan loss percentages shown below:

Risk level	Ranges of allowance percentages
A	0 – 0.99 %
B	1 – 19.99 %
C	20 – 59.99 %
D	60 – 89.99 %
E	90 – 100 %

Consumer loans – Allowances for non-revolving consumer loans and other revolving loans until February 28, 2011, were assessed for credit impairment by calculating the provisions based on percentages set forth by the Provisions. On October 25, 2010, the Banking Commission published in the Official Gazette a Resolution for amending the calculation of the reserve for such loans and other revolving loans as of March 1, 2011. (See note 3 III).

Consumer loans are segregated into two groups: a) Non-revolving consumer loans; and b) consumer loans relating to credit card transactions and other revolving loans. The methodology followed for both groups is described in articles 91 and 92 of the Provisions, respectively. The total reserve amount for each loan is the result of multiplying the likelihood of default by the severity of the loss and the exposure to default.

The allowances for non-revolving consumer loans were determined in accordance with the degree of risk and the allowance for loan loss percentages shown below:

Risk level	Ranges of allowance percentages
A	0 – 0.99 %
B	1 – 19.99 %
C	20 – 59.99 %
D	60 – 89.99 %
E	90 – 100 %

(Continued)

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The allowances for revolving consumer loans were determined in accordance with the degree of risk and the allowance for loan loss percentages shown below:

Risk level	Ranges of allowance percentages
A	0 – 0.99 %
B1	1 – 2.5 %
B2	2.51 – 19.99 %
C	20 – 59.99 %
D	60 – 89.99 %
E	90 – 100 %

The allowances are classified as follows:

General reserves – According to the Provisions, general reserves are the allowances created for commercial loans with A-1 and A-2 risk ratings; allowances created for consumer loans that do not include credit card operations and for mortgage loans with A risk rating and, in dealing with allowances created for consumer loans that relate to credit card operations with A and B-1 risk rating..

Specific reserves – This classification includes the allowances created for commercial loans with B-1 risk rating and over; the allowances created for consumer loans that do not include credit card operations for housing mortgage loans with B risk rating and over; and allowances created for the credit card portfolio with B-2 risk rating and over.

Troubled loan portfolio – The Group for financial statement disclosure purposes, commercial loans rated as having risk levels C, D and E are regarded as troubled loans, without giving consideration to improvements in risk levels resulting from the secured portion of the loan, as are loans that, although current, result from negotiations in which a forgiveness, reduction or settlement was authorized at the end of the agreed-upon term, and loans payable by individuals classified as undesirable customers.

Additional identified reserves – are established for those loans, which in management's opinion, may give cause for concern in the future given the particular situation of the customer, the industry or the economy. Furthermore, it includes estimates for items such as normal interest earned but not collected and other items which realization management estimates may result in a loss to the Group, as well as reserves maintained as prescribed by regulations.

(Continued)

Loans considered unrecoverable are written off against the allowance when their collection is determined to be practically impossible. Any amount recovered from previously written-off loans is recognized in income.

(l) Collection rights-

Collection rights arising from the acquisition of financial instruments issued on a non-serial basis are recognized by the interest method whereby a return arrived at by multiplying the interest rate agreed upon with the counterparty by the outstanding balance is recorded monthly.

Cash flows are evaluated semiannually to verify they are highly effective, if not, the interest method is discontinued and such rights are then recognized under the cost recovery method, in accordance with criterion B-11 “Collection rights” issued by the Banking Commission.

The Group estimates monthly based on the behavior of expected cash flows, whether an allowance for losses on collection rights is to be set up.

Collection rights are reported under the consolidated balance sheet caption “Other accounts receivables, net”, and the interest thereon is reported under “Other operating income” on the consolidated statement of income.

(m) Credit card loyalty program-

The Group has applied, based on paragraph 3 of criterion A-4 “Suppletory Application of Accounting Criteria”, issued by the Banking Commission, the International Financial Reporting Interpretations Committee (IFRIC) 13 ”Customer loyalty program” of IFRS for recording credit card transactions related to the loyalty program. A portion of revenue from exchange fees are deferred until the obligation to redeem the rewards to which customers are entitled is incurred and amortized to income once the obligation is extinguished.

(n) Other accounts receivable-

Loans to officers and employees, collection rights and accounts receivable related to debts whose maturity is agreed from the outset to a period over 90 calendar days, are assessed by Group´s management to determine the estimated recovery value and, as required, to create the corresponding reserves. Irrespective of the likelihood of recovery, other debit items are reserved and charged to income 90 days after their initial recording (60 days if the balances are unidentified), except for tax-related (VAT included) balances.

(Continued)

In cases where the amount receivable is not realized within 90 calendar days following the date at which they were booked in clearing accounts, they are recorded as past due and a provision is booked for the total amount.

(o) Securitization transactions-

The benefits on the remnant in securitization transactions are recognized in "Benefits receivable on securitization transactions" and are marked to market; valuation adjustments are recognized in income under "Other operating income". Subsequent recoveries related to benefits to be received, are directly applied against the balance of such benefits.

(p) Foreclosed assets or assets received in lieu of payment-

Assets foreclosed shall be recorded on the date the admission order of the judicial sale by which the foreclosure was decreed, became final and conclusive and is immediately available for execution.

Assets received in lieu of payment are recorded on the date the deed of dation was signed, or that on which the transfer of title to the asset is formally executed.

Foreclosed assets are stated at the lower of cost or fair value less strictly necessary costs and expenses incurred for foreclosure. When the value of the asset originating the foreclosure, net of allowances, exceeds the value of the foreclosed asset, the difference is recognized in consolidated income statement caption "Other operating income". Otherwise, the value of the foreclosed asset is adjusted to the net value of the asset. The value of the asset originating the foreclosure and the relevant loan loss allowance set up as of that date are derecognized from the consolidated balance sheet.

Foreclosed assets promised for sale are restricted to their carrying value; collections received on account of the asset are recorded as a liability. On the date of sale the resulting gain or loss is recognized in the consolidated income statement caption "Other operating income".

Reductions in the value of foreclosed assets are valued according to the type of asset concerned, recording such valuation in the consolidated income statement caption "Other operating income". The Group creates additional provisions that acknowledge signs of impairment from potential value losses over time in foreclosed assets in the year's results of operations under "Other operating income", which are determined by multiplying the reserve percentage applicable by the value of the foreclosed assets, based on the loan portfolio rating methodology, as shown in the next page.

(Continued)

Months elapsed from the date of foreclosure or received in lieu of payment		Reserve percentage	
		Real property	**Chattels, receivables and investment securities**
Over:	6	0%	10%
	12	10%	20%
	18	10%	45%
	24	15%	60%
	30	25%	100%
	36	30%	100%
	42	35%	100%
	48	40%	100%
	54	50%	100%
	60	100%	100%

(q) Premises, furniture and equipment-

Property, plant and equipment and installation expenses are recorded at acquisition cost. Those assets acquired through December 31, 2007, were adjusted by using factors based on the UDI value as of that date, which recognition of the effects of inflation on the financial information was suspended. Property acquired in foreign currency is recorded at the historical exchange rate, that is, the exchange rates in force on the date the asset was acquired.

Depreciation are calculated using the straight-line method, based on useful lives estimated by management of the corresponding assets. Depreciable amount of property is determined by subtracting the residual value and, as applicable, the cumulative impairment losses from the acquisition cost. The Group periodically evaluates properties residual values to determine depreciable amounts of such properties.

The Group evaluates periodically the values of premises, furniture and equipment, to determine whether there is an indication that these values exceed their recoverable amount. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net revenues expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated net revenues, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(Continued)

(r) Permanent investments-

The investments in associated companies are valued by the equity method. A company is regarded as an associated company when significant influence is exercised, which is assumed to exist when holding 10% of potential voting power for listed issuers, or 25% for unlisted issuers.

The permanent investments where there is no control, join control or significant influence exists are classified as other investments, which are initially recognized and maintained valued at acquisition cost. Dividends, if any, received from these investments are recognized in the consolidated statement of income under the caption "Other operating income", except if they come from periods prior to the acquisition, in which case are deducted from the permanent investment.

(s) Other assets-

This caption includes initial loan origination costs and expenses, which are recognized as a deferred charge and are amortized against consolidate income statement caption "Interest expenses" over the average term of the loans, except for those incurred for revolving loans which are amortized over a 12-month term.

Likewise, is included in this caption the intangible assets that relate to internally developed software, which costs are capitalized and amortized against the results of operations for the year in which the software is ready to operate, by the straight-line method over the estimated useful life as determined by the Group.

In case of any indication of impairment, the potential impairment loss is determined, and if the net carrying value exceeds the recoverable amount the asset value is written down and the impairment loss is recognized in the results of operations for the year.

Furthermore, the projected net assets of the defined benefit plan are recognized in accordance with the provisions of FRS D-3 "Employee benefits".

(Continued)

(t) Income taxes (income tax (IT) and flat rate business tax (IETU)) and employee statutory profit sharing (ESPS)-

IT , IETU and ESPS payable for the year are determined in conformity with the applicable tax provisions.

Deferred IT and ESPS are accounted for under the asset and liability method. Deferred taxes and ESPS assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of IT for operating loss carryforwards and other recoverable tax credits. Deferred ESPS and taxes assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred ESPS and taxes assets and liabilities of a change in tax rates is recognized in results of operations for the period enacted.

To determine whether deferred IT or deferred IETU should be recorded, the tax base on which the differences that give rise to deferred taxes will be amortized in the future must be identified, and the likelihood of payment or recoverability of each tax is evaluated.

Current and deferred ESPS is incorporated under the caption "Administrative and promotional expenses", in the consolidated statement of income.

(u) Deposit funding-

This caption comprises demand and time deposits of the general public, including money market funding and the placement of debt certificates and bank bonds. Interest is charged to expense on an accruals basis under "Interest expense". For instruments sold at a value different to their face value, the difference is recognized as a deferred charge or credit and amortized on a straight-line basis over the term of the respective instrument.

(v) Provisions -

Based on management's estimates, the Group recognizes accruals for present obligations where the transfer of assets or the rendering of services is probable and arises as a consequence of past events.

(w) Bank and other borrowings-

Bank and other borrowings comprise short and long-term loans from domestic and foreign banks, loans obtained through credit auctions with the Central Bank and development fund financing. In addition, this caption includes discounted loans with agencies specializing in financing economic, production or development activities. Interest is recognized on an accruals basis under "Interest expense".

(x) Employee benefits-

The Group has a defined contribution pension plan, where the amounts contributed are recognized directly as expenses in the consolidated statement of income under "Administrative and promotional expenses" (see note 16).

Additionally, there is a plan of defined benefits in place that covers the pensions for retirement, the seniority premiums and legal compensation to which employees are entitled in accordance with the Federal Labor Law, as well as obligations related to corresponding to plans medical benefits, food coupons and life insurance for retirees.

Irrevocable trusts have been established for all plans to manage the respective plan funds and assets, except for severance compensation.

The net periodic cost related to the defined benefit plans, the termination benefits and termination of employment for reasons other than restructuring are charged to operations for each year, based on independent actuarial computations in accordance with generally accepted actuarial procedures and principles, and the provisions of FRS D-3 "Employee benefits". The methodology used for calculating the obligations is the projected unit credit, based on actuarial hypotheses reflecting the present value, salary increase and benefit payment probability.

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

(Continued)

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

The determination of deferred ESPS is made using the asset and liability method of accounting as explained in note 2(t).

(y) Revenue recognition-

Interest on loans granted including the interbank loans fixed to a term less than or equal to three business days, is recorded in income as earned. Interest on loans past due loans is not recognized in income until collected.

Interest and commissions collected in advance, as well as credit card annual fees are recorded within “Deferred credits and prepayments”, and applied to the year’s results of operations in “Interest income” and “Commission and fee income”, respectively, as earned.

Fees on trust transactions are recognized in income as earned in “Commission and fee income”. Such revenues are not accrued when fees are 90 or more calendar days past due, and are recorded in memorandum accounts. When accrued revenues are collected, they are reported directly in income for the year.

The commissions from assets in custody or under management are recognized in income as earned in “Commission and fee income”.

Fees collected for restructured or renewed loans are recorded as deferred credits and amortized against the results of operations for the year in “Interest income” using the straight-line method during the new term of the loan.

Fees on brokerage (debt or equity securities) and transactions with mutual funds and income from custody services are recognized in the statement of income as they accrued under the caption "Commission and fee income."

(z) Foreign currency transactions-

Foreign currency transactions are initially recognized at the exchange rate prevailing on the date of execution and settlement, for consolidated financial statement presentation purposes, currencies other than dollars are translated to dollars at the exchange rates as established by the Banking Commission, and the dollar equivalent, together with dollar balances, are then translated into Mexican pesos using the exchange rate determined by the Central Bank. Foreign exchange gains and losses are reflected in results of operations for the year. At the closing date of the consolidated financial statements, foreign currency monetary assets and liabilities are translated at the year-end exchange rate, while foreign exchange gains or losses arising from foreign currency translation are recorded in the results of operations in the originating period. Non-monetary assets and liabilities, and stockholders' equity are translated at the historical exchange rate.

(aa) Memorandum accounts-

Custody operations-

The amount of assets in custody and guarantee are recognized under the caption "Customers securities in custody," according to the operation.

Customer securities in custody and guarantee are valued at fair value, representing the amount for which the Brokerage Firm is obligated to its customers against any future eventuality.

Management operations-

The amount of the financing granted and / or received on repurchase/resale agreements that the Brokerage Firm undertakes for its clients is presented under the caption "Securities repurchase/resell agreements by customers."

Securities lending conducted by the Brokerage Firm by customers is presented under the caption "Security loans by customers."

In the case of collateral that the Brokerage Firm receives behalf by customers, repurchase agreements service, securities lending, derivatives or other collateral received or delivered, are presented under the caption "Collaterals received in guarantee by customers" and/or "Collaterals delivered in guarantee by customers" as appropriate.

The determination of the valuation of the estimated amount for the assets in management and operations on behalf by customers is made according to the operation carried out in accordance with the accounting criteria for brokerage firms.

(Continued)

The Brokerage Firm records transactions on behalf of customers, on the conclusion and not on the payment date.

(ab) UDI Trusts-

The provisions published in the Federal Official Gazette dated July 26, 2010 were followed to for purposes of the process for early termination of the mortgage programs.

(ac) Contributions to IPAB-

Among other provisions, the Bank Savings Protection Law created the IPAB, whose purpose is to establish a system to protect the savings of the public and regulate the financial support granted to banking institutions in order to comply with this objective.

According to the Law, IPAB guarantees depositors' accounts up to 400 (thousand of pesos) UDIS.

Contributions to IPAB are recognized in income as earned under the caption "Administrative and promotional expenses".

(ad) Contingencies-

Contingent assets and liabilities are not subject to recognition as there are no elements reasonably estimated, however the absence of these elements, including its qualitative disclosure in the notes to the financial statements.

Contingent revenues, income or assets are recorded when its realization is virtually assured.

(ae) Capital leases-

Capital lease transactions are recorded as an asset and an account payable by the lower value equal to the present value of minimum payments and the market value of the leased asset. The difference between the nominal value of minimum payments and account payable as mentioned previously is recorded during the lease period in the year's results, under the caption "Other operating income". The asset is depreciated in the same way as other assets held in property when it exist assurance that once the contract will transfer ownership of the leased asset, otherwise is depreciated over the duration of the contract.

(Continued)

(3) Accounting changes and reclassifications-

Accounting changes-

I. Changes in accounting criteria for credit institutions issued by the Commission Banking

On July 5, 2012, the resolution revising the regulations generally applicable to credit institutions was published in the Federal Official Gazette, which supersedes accounting criteria for credit institutions and became effective beginning on the next day after publication; the main changes are listed below:

(a) **Criterion B-10 "Trusts"-**

- The definition of Trust Property is added.
- Recognition and valuation standards.- Trust property listed at the National Securities Registry shall be valued in accordance with the accounting standards set forth by the Banking Commission for such purpose, through general provisions applicable to securities issuers and other entities trading on the Mexican stock exchange market.
- It is specified that entities shall keep special control over each trust agreement. The balances of special accounting for each trust agreement shall match the balances of memorandum accounts where the entity recognizes the trust property.
- It is specified that income for trust management may accrue when the outstanding debt has been fully settled.

(b) **Criterion C-5 "Consolidation of Specific Purpose Entities (SPE)"-**

According to the new provisions, the methodology for SPE consolidation requires that the consolidated entity meets the provisions of FRS B-8 "Consolidated or combined financial statements"; therefore, the SPE's financial statements should be prepared pursuant to the same accounting criteria of the consolidating entity.

(Continued)

(c) **Criterion B-6 "Loan portfolio"-**

On October 5, 2011, the Federal Official Gazette published the resolution that modifies the general provisions applicable to credit institutions, effective as of March 1, 2012, whereby the accounting criterion B-6 "Loan Portfolio" was amended.

The changes include the following:

- Loan fees: Fees for loan renewal are deferred through the straight-line method during the new term of the loan.

Restructuring and renovations: new conditions are established to consider as current existing loans that are restructured or renewed; additional disclosures are required.

***II Changes in accounting criteria for investment fund managers*-**

On March 16, 2012, the resolution revising the general provisions applicable to investment companies and individuals providing services thereto was published in the Federal Official Gazette. The resolution modified the accounting criteria for investment fund managers, became effective on March 30, 2012 and had no significant effects on the Management Company, except in the presentation of the statement of income. Such changes are mentioned as follows:

(a) **Criterion A-3 "Application of general standards"-** Provides, among other things, for the following:

- Assets of transactions that are not settled on the same day are added to restricted assets. Treatment is included for past due and payable transactions in clearing accounts until actually settled.

- Materiality is explained, focused on FRS concepts for increased application accuracy (professional judgment).

(Continued)

(b) **Criterion A-4 *"Suppletory application of accounting criteria"*-**

It revises and clarifies the scope and elements constituting the US GAAP for suppletory application purposes.

(c) **Criterion B-2 "Investment securities"-**

- Transaction costs should include acquisition and disposition-related costs.
- Disclosure is required of net gains and losses for all security categories.
- Disclosure is required of interest expense and of fee income and expenses.
- Disclosure is required of accounting policies related to the valuation of investment securities.
- Disclosure is required of information related to risks of investing in securities.

(d) **Criterion C-2 "Related Parties"-**

- The term "kinship" is replaced by the term "close relative" in agreement with FRS. It is also specified that the applicable legislation should be taken into consideration.
- "Close relatives of any individual" rather than the "spouses or the persons related to the individuals" are deemed to be related parties.
- Individuals "regarded as close relatives" rather than "those with a relationship occurring by blood, legal ties or law up to fourth degree, the spouse and common-law wife/husband" are deemed to be within the power of command.

(Continued)

(e) **Criterion D-3 "Statement of Income"**

- Elimination of minimum statement of income captions relating to:

i) Total operating income (expenses).

ii) Income (loss) before equity in non-consolidated and associated subsidiaries.

- "Administrative and promotion expenses" are grouped after the financial margin adjusted for credit risks, together with all other items (commissions and fees collected and paid, financial intermediation income and other operating income (expenses)).

- By these items being eliminated, items formerly comprising "other income (expenses)" are regrouped within "operating income (expenses).

- Equity in income (loss) of non-consolidated and associated subsidiaries is presented following the "operating income (loss) and before "income (loss) before income taxes".

2012 FRS Improvements

In December 2011, CINIF issued the document referred to as "2012 FRS Improvements", which contains precise modifications to some FRS. The modifications, which had no effect on the consolidated financial statements of the Bank are listed below:

- **FRS A-7 "Presentation and disclosure"**

- **Bulletin C-11 "Stockholder's equity"**

- **Bulletin C-15 "Impairment of long-lived assets and their disposal"**

(Continued)

Accounting changes 2011-

III. ***Change of methodology for non-revolving and mortgage loans–***

On October 25, 2010, the resolution revising the regulations generally applicable to credit institutions was published in the Federal Official Gazette, concerning the estimate of the loan loss reserves, which will become effective beginning on March 1, 2011, for the purpose of replacing the current model for setting up loan reserves based on losses incurred with a model based on expected losses, for consumer loan and housing mortgage loan portfolios as follows:

a. **Rating of consumer loan portfolio** – The consumer loan portfolio must be divided into two groups: a) non-revolving consumer loans and b) credit card and other revolving loans. In the specific case of the latter group, the methodology followed for calculate, is subject to the change established in the resolution dated August 22, 2009, the only change is the addition of credit portfolio in others revolving credit.

   In the case of the non-revolving consumer loan portfolio, the loan loss reserve will be computed based on the figures as of the last day of each month, irrespective of whether payments are made on a weekly, semi-monthly or monthly basis. Additionally, consideration is given to factors such as: i) due amount, ii) payment made, iii) days of default, iv) total term, v) remaining term, vi) original loan amount, vii) original asset value, viii) outstanding loan balance and ix) type of loan. The total amount of the reserve to be set up for each loan is arrived at by multiplying the likelihood of default by the severity of the loss and the exposure to default.

   Following the adoption of this methodology, the Bank recognized an adverse effect on the income statement of $316.

b. **Rating of housing loan portfolio –** The reserve is to be set up based on the figures as of the last day of each month. Additionally, factors such as the following are taken into consideration: i) due amount, ii) payment made, iii) house value, iv) outstanding loan balance, v) days of default, vi) loan denomination and vii) record. The total amount of the reserve to be set up for each loan is arrived at by multiplying the likelihood of default by the severity of the loss and the exposure to default.

   The severity of the loss the loan recovery rate component, which is affected if the loan has a guarantee trust or stipulation, classifying by regions the states in which such courts reside.

(Continued)

On December 28, 2011 was published in the Federal Official Gazette the resolution amending the general provisions applicable to credit institutions concerning the allowance for the loans losses, which consists mainly of the amendment to the regions to be considered, according to the federal entity in which each housing loan was granted, as well as considered the region in case that credits have a model of coverage to first losses.

Following the adoption of this methodology, the Bank recognized a favorable effect on the income statement of $388.

Furthermore, internal methodologies authorized by the Banking Commission may be used for both consumer and housing mortgage loan portfolios.

IV. ***Change of methodology rating for commercial loan granted to states and municipalities-***

On October 5, 2011, was published on the Federal Official Gazette the resolution amending the general provisions applicable to credit institutions in Mexico in terms of allowance for loan losses for commercial loans granted to states and municipalities.

Therefore the current model was modified for losses incurred by model should expected loss model, where estimated losses for the next 12 months have to be considered; the expected loss consider the probability of default, loss severity and exposure to default, and classifying the portfolio granted to states and municipalities in different groups, and provide different variables to estimate the probability of default.

The Bank decided to apply of the methodology from December 31, 2011.

Following the adoption of this methodology, the Bank recognized at December 31, 2011 a favorable effect on the income statement of $8.

(Continued)

Reclassifications-

(a) Brokerage Firm:

The balances in memorandum accounts for collateral received or pledged, related to repurchase agreements on behalf of customers, respectively, at December 31, 2011, were reclassified to make them comparable to the presentation for the year ended December 31, 2012. Such reclassification corresponds to an agreement with the Accounting Committee of the Mexican Association of Securities Intermediaries (AMIB), which was defined with the Commission and clarifies that the totality of customer-related transactions should be recognized in memorandum accounts on behalf of customers, even where certain of these transactions, given the manner in which they were agreed to might have been recognized by the Brokerage Firm as transactions for its own account, as shown as follows:

Consolidated balance sheet		Balances originally presented	Reclassifications	Reclassified balances
Memorandum accounts				
Securities repurchase/resell agreements by customers	$	29,247	24,466	53,713
Collaterals received in guarantee by customers		91	32,571	32,662
Collaterals delivered in guarantee by customers		1,464	21,143	22,607

The reason for those reclassifications is that in memorandum accounts, transactions for its own account should be recorded jointly with transactions on behalf of customers under the caption "Management operations".

(Continued)

(b) Management Company

In accordance with the accounting changes set forth in criterion D-3 "Statement of Income" referred to in this note, the financial statements as of December 31, 2011 were reclassified to make them comparable to the presentation as of and for the year ended December 31, 2012, as shown below:

Statements of Income		**Balances originally presented**	**Reclassified balances**
Other income	$	55	–
Other expense		(2,345)	–
Other operating income (expense)		–	2,290

(4) Foreign currency position-

Central Bank regulations require that banks and brokerage firms maintain balanced positions in foreign currencies within certain limits. The short or long position permitted by the Central Bank is equal to a maximum of 15% of the basic capital of the Bank computed as of the third immediately preceding month, and 15% of the global capital of the Brokerage Firm. Accordingly, at December 31, 2012 and 2011, the Bank and the Brokerage Firm maintain a position within the authorized limits.

The foreign currency position stated in millions of dollars is analyzed as follows:

	2012	**2011**
Assets	3,178	1,840
Liabilities	(3,173)	(1,862)
Long (short) position	5	(22)

At December 31, 2012, the long position (short in 2011) foreign currency position consists of 96% in US dollars (78% in 2011), and 4% in other foreign currencies (22% in 2011).

At December 31, 2012 and 2011, the exchange rate of the peso to the dollar was $12.9658 and $13.9476, respectively, and on February 22, 2013, the date on which the issuance of the consolidated financial statements was authorized, it was $12.7517.

(5) Cash and cash equivalents-

Cash and cash equivalents at December 31, 2012 and 2011 are analyzed as follows:

		2012	2011
Cash in hand	$	3,580	2,890
Banks:			
Nationals		5	209
Foreign		973	1,269
Three-day interbank call money		3,462	1,646
24 and 48-hour foreign currency sales		(4,450)	(1,681)
Other funds available		98	54
Restricted funds:			
Deposits with the Central Bank		12,830	12,827
24 and 48-hour foreign currency purchase		6,444	1,824
Compensation fund to operate derivatives		389	355
Investments		40	–
	$	23,371	19,393

At December 31, 2012 and 2011, the deposits with the Central Bank relate to deposits for monetary regulation amounting to $12,787 in both years. Interest earned on the deposits in the Central Bank at December 31, 2012 an 2011 were $43 and $40, respectively.

For the years ended December 31, 2012 and 2011, the Group maintained an asset (liability) balance in its settlement account in connection with its currency purchase and sale transactions of $1,559 ($3,355) and $1,119 ($1,262), respectively, which were recognized in settlement accounts within “Other accounts receivable, net” and “Creditors pending settlement”, as appropriate.

At December 31, 2012 and 2011, the three-day interbank loans are analyzed as follows:

	2012			2011		
Institution	Amount	Rate	Term	Amount	Rate	Term
Banco Nacional de México, S.A.	$ 2,462	4.37%	2 days	$ –	–	–
HSBC México, S.A.	–	–	–	1,646	4.50%	3days
Banco Inbursa, S.A.	1,000	4.42%	2 days	–	–	–
	$ 3,462			1,646		

(Continued)

At December 31, 2012 and 2011, the Group has gold and silver precious metals (coins) for 14,506 (3,393 gold and 11,113 silver) and 9,206 (2,074 gold and 7,132 silver) units, respectively; the quoted market prices used for translation purposes are those issued by the Central Bank; purchase and sale transactions are 24 and 48 hours. The value of such metals is shown under other funds available and immediate payment notes receivable and is analyzed as follows:

		2012	2011
Immediate payment notes receivable	$	32	21
Precious metal coins:			
Gold		61	30
Silver		5	3
		66	33
	$	98	54

At December 31, 2012 and 2011, foreign currency receivable and deliverable in connection with the purchases and sales to be settled within 24 and 48 hours are analyzed as follows:

	Receivable		Deliverable	
	2012	2011	2012	2011
Dollar	$ 5,240	1,593	(3,223)	(1,391)
Other currencies	1,204	231	(1,227)	(290)
	$ 6,444	1,824	(4,450)	(1,681)

At December 31, 2012 and 2011, earnings resulting from foreign exchange purchase and sale transactions are $944 and $415, respectively, and are recorded in "Financial Intermediation Income (Loss)". Such results are mostly part of a synthetic strategy with derivatives (see note 8).

(Continued)

(6) Investment securities-

(a) Composition-

At December 31, 2012 and 2011, the investment securities are as follows:

		Fair Value	
		2012	**2011**
Trading:			
Debt securities:			
Government securities	$	24,772	19,929
Bank promissory notes		2,412	6,403
Others		443	337
Shares		1,727	1,365
		29,354	28,034
Available-for-sale			
Debt securities:			
Government securities		21,016	5,241
Bank promissory notes		2,533	609
Others		870	704
Shares		464	473
		24,883	7,027
Held-to-maturity:			
Special CETES of the UDI Trust:			
Residential mortgages		2,063	1,977
Total investment securities	$	56,300	37,038

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(b) At December 31, 2012 and 2011, debt securities relating to government securities, bank notes and shares classified as trading and available-for-sale securities, are analyzed as follows:

		2012	2011
Trading:			
Debt securities:			
Government securities (unrestricted):			
CETES	$	6	49
LDBONDESD		381	–
		387	49
Value date sales:			
BONOS M		(492)	(532)
BI CETES		(488)	(28)
S UDIBONO		–	(60)
BONOS M0		–	(104)
UDIBONOS0		(20)	(56)
		(1,000)	(780)
(Assigned securities to be settled unrestricted securities)	$	(613)	(731)
Unrestricted securities**:**			
Own position:			
BONOS M	$	217	526
CETES		2,222	407
		2,439	933
Value date sales:			
BONOS M		(70)	(10)
BI CETES		(11)	–
UDIBONOS		–	(1)
		(81)	(11)
Total unrestricted securities to next page	$	2,358	922

(Continued)

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		2012	2011
Total unrestricted securities from previous page	$	2,358	922
Restricted trading securities:			
Government securities:			
Pledged Cetes in guarantee		276	188
Under repurchase/resell agreements:			
CETES		7,931	2,144
BPAS		5	1,780
BPA 182		536	1,510
BPAT		80	2,013
CEBUR		268	–
BPAG		517	–
LD BONDESD		8,647	8,037
BONOS M		2,074	2,273
BONOS M0		–	158
UDIBONO		173	534
UDIBONOS0		–	29
		20,231	18,478
Value date purchases:			
BONOS M		251	260
UDIBONO		10	51
BI CETES		1,646	–
CEMEA 77		–	–
		1,907	311
Trust guarantees:			
CETES		–	30
Total government securities	$	24,772	19,929
Bank promissory notes:			
Unrestricted securities			
BANOBRA	$	792	930
NAFIN		–	1
BANCOMEXT		3	–
BANORTE		–	1,962
Unrestricted bank promissory notes to next page	$	795	2,893

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		2012	**2011**
Trading (continued):			
Unrestricted bank promissory notes from previous page	$	795	2,893
Restricted securities:			
Under repurchase/resell agreements:			
CBPC		–	282
CBUR		–	93
PRLV		1,617	3,135
		1,617	3,510
Total bank promissory notes	$	2,412	6,403
Others:			
Unrestricted securities:			
CBUR	$	394	–
CBPC		30	–
		424	–
Under repurchase/resell agreements:			
CBUR		19	287
CBPC		–	50
		19	337
Total other debt securities	$	443	337
Shares:			
Unrestricted:			
NAFTRAC	$	53	128
SCOTIA G		1,121	577
Others		423	531
Subtotal to next page	$	1,597	1,236

(Continued)

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		2012	2011
Trading securities (continued):			
Subtotal from previous page	$	1,597	1,236
Value date sales:			
NAFTRAC		(7)	–
WALMEX		(7)	(14)
Others		(115)	(28)
		(129)	(42)
Securities lending:			
PEÑOLES		53	–
NAFTRAC		45	34
Others		61	79
		159	113
Value date purchases:			
NAFTRAC		2	–
GMEXICO		7	–
WALMEX		7	14
Others		84	44
		100	58
Total shares	$	1,727	1,365
Total trading securities	$	29,354	28,034
Available-for-sale:			
Debt securities:			
Domestic government securities:			
MMVCB	$	–	798
MEXF54		–	–
LD BONDESD		108	–
MEXX60		–	406
MEXK40		–	206
MEXQ10		–	256
MEX449		–	430
MEX932		–	212
BONOS M		–	301
BONOS M0		–	73
BPAG		27	–
CABEI		337	–
FIFOMI		14	–
Subtotal to next page	$	486	2,682

(Continued)

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		2012	2011
Available-for-sale (continued):			
Subtotal from previous page	$	486	2,682
Foreign government securities:			
BRAZT15	$	391	–
BRAZX87		521	609
UMS13F		524	–
UMS14F		231	–
UMS14F2		154	–
UMS15F		468	–
		2,289	609
Value date purchases (restricted securities):			
MEX932		–	58
Restricted securities:			
Under repurchase/resell agreements:			
LD BONDESD		17,353	899
BPAS		119	993
BPAG		769	–
		18,241	1,892
Total government securities	$	21,016	5,241
Bank promissory notes:			
Own position:			
BANORTE	$	1,908	–
BANOB		15	–
	$	1,923	–
Restricted securities:			
Under repurchase/resell agreements:			
BANOB		610	609
Total bank promissory notes	$	2,533	609

(Continued)

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		2012	2011
Others debt securities:			
Own position:			
VIPESA	$	507	448
MOLYMET		–	91
CINMOBI		–	5
CASITA		–	43
MONTP10		49	99
PATRIMO		–	18
TCM10		138	–
PRB		25	–
		719	704
Restricted securities:			
MOYMET		151	–
Total debt securities:	$	870	704
Shares:			
BOLSA	$	462	318
Others		2	155
Total shares	$	464	473
Total Aviable-for-sale	$	24,883	7,027
Held-to-maturity:			
Government securities:			
CETES B4 170713	$	756	725
CETES B4 220707		338	324
CETES B4 220804		2	1
CETES B4 270701		956	916
CETES BC 170713		11	11
Total government securities	$	2,063	1,977

For the years ended December 31, 2012 and 2011, the Group maintains an asset (liability) balance for transactions with securities settled on a date subsequent to the agreed-upon date of $1,196 ($2,008) and $862 ($378), respectively, which were recognized in settlement accounts within "Other accounts receivable, net" and "Creditors pending settlement", as appropriate.

(Continued)

During 2011, the Group held 3,761,849 due debt instruments with a value of $35 pesos per instrument, for which an impairment was recognized during 2010, thus reducing the value of the instruments by $7.40 pesos each to a carrying amount of $28. On June 28, 2011, the issuer undertook a restructure and exchanged of 1,316,647 instruments for a par value of $43.9 pesos each. The Group's management recognized the instruments at a value of $21.14 pesos each, this being its best recoverability estimate, writing off the instruments and recognizing them latter in available-for-sale securities, with a fair value of $ 28 December 31, 2011, and the valuation result for securities for the year ended on that date, was recognized in "Unrealized gain from valuation of available for sale securities" in stockholders' equity for $14.

During 2012, the Group impaired 1,316,647 debt securities mentioned in the preceding paragraph by $28. The related effect was recognized in the year's results of operations.

The gain or loss from valuation of available-for-sale securities for the years ended December 31, 2012 and 2011, recognized in other items of comprehensive income within stockholders' equity amounted to $129 ($79 net of deferred taxes) and $66 ($40 net of deferred taxes), respectively. The above includes the net gains for hedged instruments of $25 and ($3), respectively.

The gain and (loss) generated by the Brokerage Firm during 2012, from the purchase and sale of securities amounted to $435 and ($278), respectively ($237 and $201 in 2011, respectively). The valuation of investment securities at December 31, 2012 and 2011 resulted in a valuation loss of $(6) and a valuation gain of $7, respectively. During the years ended December 31, 2012 and 2011, the interest resulted in a gain of $611 and $636, respectively. The gain and loss from the purchase and sale of securities, valuation effect and interest gain are reported in the statement of income under the caption "Gain on purchase and sale", "Loss on purchase and sale" , "Valuation (loss) gain on securities at fair value" and "Interest income", respectively.

For the years ended December 31, 2012 and 2011, the net gains from interest income, gains or losses from purchase and sale transactions, and intermediation income from investments in securities are detailed below.

		2012	2011
Trading	$	1,267	1,447
Available-for-sale		994	233
Held-to-maturity		86	82
	$	2,347	1,762

(Continued)

(c) Issuers over 5% of the Bank's net capital-

At December 31, 2012 and 2011, the investments in the same non-government of debt securities over 5% of the Bank's net capital are analyzed as follows:

	2012				2011			
	Issue	**Amount**	**Term***	**Rate****	**Issue**	**Amount**	**Term***	**Rate****
BANORTE	Various	$ 1,908	58	4.54%	Various	1,962	86	4.38%

* weighted average term (days)
** weighted average rate

(d) Issuers over 5% of the Brokerage firm's global capital-

At December 31, 2012 and 2011, investments in debt securities other than government securities of the same issuer exceeding 5% of the Brokerage Firm's global capital are as follows:

Issuer	**Number of securities**	**Average Rate**	**Average Term (days)**		**Amount**
December 31, 2012					
BANOBRA	792,633,401	4.54%	219	$	792
					792
December 1th, 2011					
BANOBRA	945,610,971	4.61%	324	$	931
					931

(Continued)

(7) Securities under repurchase/resell agreements and Securities lending-

Repurchase/resell agreements-

At December 31, 2012 and 2011, the "Debtors under repurchase/resell agreements" y "Creditors under repurchase/resell agreements" balances in which the Group acts as repurchasee, are analyzed as follows:

	Debtors under repurchase /resell agreements		Creditors under repurchase /resell agreements	
	2012	2011	2012	2011
BPAS	$ –	5,011	(5)	(1,758)
BPAT	–	11,800	(80)	(1,985)
BPA 182	10,794	4,167	(487)	(1,508)
BPAG	4,217	–	(1,187)	–
BONOS M	5,513	2,001	(2,010)	(1,742)
BI CETES	–	351	(6,240)	(1,107)
LD BONDESD	18,965	13,301	(9,698)	(7,704)
CBIC	–	500	–	–
CBPC	–	–	(30)	(332)
CEBUR	–	–	(680)	(380)
PRLV	–	–	(1,417)	(2,335)
UDIB	–	–	(175)	(474)
	39,489	37,131	(22,009)	(19,325)
Collaterals sold or pledged:				
LD BONDESD	(32,461)	(12,226)		
BONOS M	(3,505)	(2,690)		
BPA 182	(3,857)	(3,898)		
BI CETES	(1,336)	(94)		
BPAT	–	(9,472)		
BPAS	(119)	(5,009)		
BPAG	(2,519)	–		
UDIB	–	(89)		
IPABONO	–	(500)		
CBBN	(609)	–		
CEBUR	(151)	–		
	(44,557)	(33,978)		
Debtors (creditors) repurchase/resell agreements	$ (5,068)	3,153	(22,009)	(19,325)

(Continued)

At December 31, 2012 for the Bank, maturities of sale and repurchase agreements vary between 2 to 84 days (3 to 91 days in 2011), with weighted rates of 4.53% acting as repurchasee, and 4.18% acting as repurchase (4.53% and 4.25% in 2011, respectively). At December 31, 2012 for the Brokerage Firm, maturities of the repurchase/resale agreements vary between 2 to 84 days (3 to 91 days in 2011) with weighted rates of 4.51% when acting as repurchasee and 4.24% when acting as repurchase (4.51% and 4.28% in 2011, respectively).

During the years ended December 31, 2012 and 2011, interest or premiums collected by the Group amounted to $2,377 and $2,198, respectively, interest or premiums paid amounted to $2,910 and $2,872 respectively, and are included in the consolidated income statement in items of "Interest income" and "Interest expense", respectively (see note 21(b)).

At December 31, 2012 and 2011, the Group received government securities as guarantee for over 3-day repurchase agreements, which was included and recorded in memorandum accounts and are analyzed as follows:

2012:

Issuer	Series	Number of securities	Market value
Guarantees received:			
BI Cetes	130725	1,101,918	$ 11
IS Bpa 182	180412	314,826	31
LD Bondes D	140320	1,500,274	150
LD Bondes D	140719	43,416	4
LD Bondes D	171019	52,812	5
Total guarantees received			$ 201
Guarantees received:			
BI Cetes	130530	4,285,196	$ 42

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2011:

Issuer	Series	Number of securities	Market value
Guarantees received:			
BI Cetes	120503	816,538	$ 8
IS Bpa 182	150917	545,655	55
LD Bondes D	140320	291,493	29
LD Bondes D	120607	81,861	8
LD Bondes D	130327	95,817	10
Total guarantees received			$ 110

Securities lending:

At December 31, 2012 and 2011, the Group held securities lending transactions as lender and borrower in which the values object of the transactions were received and transferred.

The obligation to repay the lender values derived from the sale of these securities were as follows:

2012:	Number of securities	Fair value
AC*	27,477	$ 3
ALFA A	675,000	18
CEMEX CPO	229,000	3
ICA*	90,000	3
ICH B	98,500	10
KOF L	9,000	2
PEÑOLES*	82,331	54
ALSEA*	125,000	3
URBI*	224,000	2
HOMEX*	64,200	2
GAP B	205,000	15
NAFTRAC 02	1,132,300	49
PBR N	3,800	1
VALE N	5,400	1
WALMEX V	460,911	20
		$ 186

2011:	Number of securities	Fair value
CEMEX CPO	780,000	$ 6
ELEKTRA *	56,000	77
GAP B	40,000	2
GEO B	78,000	1
HOMEX *	285,000	11
LIVERPOL C-1	45,000	5
MFRISCO A-1	148,000	8
PEÑOLES *	14,800	9
WALMEX V	727,400	28
		$ 147

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At December 31, 2012 and 2011 the right to require the borrower values derived from the sale of such securities, are analyzed as follows:

2012:	Number of securities		Fair value
ALFA A	675,000	$	18
CEMEX CPO	229,000		3
ICA *	90,000		3
ICH B	98,500		10
PE&OLES *	82,331		54
ALSEA *	125,000		3
URBI *	224,000		2
HOMEX *	64,200		2
GAP B	205,000		15
NAFTRAC 02	972,800		43
PBR N	3,800		1
VALE N	5,400		1
GMEXICOB	14,600		1
		$	156

2011:	Number of securities		Fair value
CEMEX CPO	780,000	$	7
ELEKTRA *	26,000		36
GAP B	40,000		2
GEO B	78,000		1
ALFA	81,500		12
FEMSA	7,900		1
MFRISCO A-1	133,000		7
PEÑOLES *	3,800		2
NAFTRAC	929,000		34
HOMEX *	285,000		11
		$	113

The average maturity of the securities lending transactions at December 31, 2012 and 2011, the Group acting as a lender is 19 an 10 calendar days and acting as a borrower is 11 and 6 calendar days, respectively.

For the year ended December 31, 2012, premiums collected and paid in securities loan transactions amounted $5 and $2, respectively ($7 and $3 in 2011, respectively), and are included in the statement of income in the captions of "Interest income" and "Interest expense", respectively.

The average maturity of the securities lending transactions at December 31, 2012 and 2011, the Group acting as a lender is 19 an 10 calendar days and acting as a borrower is 11 and 6 calendar days, respectively.

For the year ended December 31, 2012 and 2011, of securities lending transactions the Financial Group acting as lender, implied securities restricted amounted $186 and $147, respectively (see note 6).

For the year ended December 31, 2012, premiums collected and paid in securities loan transactions amounted $5 and $2, respectively ($6 and $2 in 2011, respectively), and are included in the statement of income in the captions of "Interest income" and "Interest expense", respectively, (see note 21(b)).

(8) Derivatives-

At December 31, 2012 and 2011, the valuation of derivative financial instruments for trading and hedging purposes recognized under "Derivatives ", is analyzed as follows:

		2012		2011	
		Assets	**Liabilities**	**Assets**	**Liabilities**
Trading purposes:					
Foreign currency forward contracts	$	100	39	143	153
Futures				6	4
Options (shares and indexes)		267	3,014	269	2,032
Interest rate swaps		1,217	1,445	2,026	2,228
		1,584	4,498	2,444	4,417
Hedging purposes:					
Fair value hedges		18	213	16	183
Cash flow hedges		31	255	25	212
		49	468	41	395
	$	1,633	4,966	2,485	4,812

For the years ended December 31, 2012 and 2011, the amount of losses recognized in result of operations arising from the(impairment) reversion of financial instruments for trading and hedging purposes amounted to ($3) and ($13) and hedging amounted($11) and ($1), respectively.

(Continued)

As for instruments used for cash-flow hedging purposes, the (loss) income for the year ended December 31, 2012 and 2011, derived from their ineffectiveness of ($11) and $4, respectively, that is included in the results of operations under the caption "Financial intermediation income". The effect of loss from the valuation relating to the effective hedge portion for the years ended December 31, 2012 and 2011, which amounts to ($200) ($136 net of the deferred tax effect) and $156 ($107 net of the deferred tax effect), respectively, is presented in stockholders' equity.

At December 31, 2012 and 2011, the gain (loss) of cash flow hedge instruments that were reclassified from stockholders' equity to the year's results of operations within "Interest income" and "Interest expense" was $60 and ($122) and $143 and ($114), respectively.

The net estimated effect of gains and losses arising from derivative transactions presented under stockholders' equity at December 31, 2012 and 2011, which are expected to be reclassified to income within the following twelve months amounts to ($126) and ($58), respectively.

At December 31, 2012 and 2011, the gain for the valuation of derivatives for fair value hedging and trading purposes were $137 and $106 respectively, while the loss from valuation of the hedged item attributable to the hedged risk was $51 and $108 respectively.

At December 31, 2012 and 2011, the net losses on financial assets and liabilities related to trading derivatives are $774 and $123, respectively. Such results are part of a synthetic strategy, with non-derivative foreign exchange purchase and sale transactions, which gains of $944 and $415 for the years ended December 31, 2012 and 2011, respectively, are included in "Financial intermediation income" (see note 5).

Fort the year ended December, 31 2012 and 2011, the Bank foresees that all transactions to hedge forecasted cash flows are highly likely to occur.

For the years ended December 31, 2012 and 2011, the Bank maintained an asset (liability) balance on derivatives transactions settled on a date subsequent to the agreed-upon date of ($6) and ($18), respectively, which were recognized in settlement accounts within "Other accounts receivable" and "Creditors pending settlement", as appropriate.

For the year ended December 31, 2011, the Brokerage Firm maintained an asset (liability) balance for transactions with derivatives payable on a date subsequent to the agreed-upon date of $9 ($2), which were recorded in clearing accounts within "Accounts receivable, net" and "Creditors pending settlement".

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Notional amounts:

The following notional amounts of contracts (securities, currency, etc) represent the derivatives volume outstanding and do not represent the potential gain or loss associated with the market risk or credit risk of such instruments. The notional amounts represent the amount to which a rate or price is applied to determine the amount of cash flows to be exchanged. Notional amounts of the derivative financial instruments at December 31, 2012 and 2011 are analyzed as follows:

	2012		
Type of instrument	**Hedging purposes**	**Trading purposes**	**Total**
Interest rate:			
Bought:			
Futures:			
Forward contracts	$ –	9,937	9,937
TIIE	–	2,464	2,464
Swap MexDer	13,456	–	13,456
Options (shares $3,354 and indexes $4,575)	–	7,929	7,929
Swaps	–	43,192	43,192
	$ 13,456	63,522	76,978

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		2012	
Type of instrument	**Hedging purposes**	**Trading purposes**	**Total**
Sold:			
Futures:			
Forward contracts	$ –	295	295
TIIE	–	622	622
Options (shares $5,758 / Indexes $3,299)	–	9,057	9,057
Swaps	6,200	39,499	45,699
Warrants (shares $1,820 and foreign exchange $8)	–	2,826	2,826
	$ 6,200	52,299	58,499
Bought:			
Swaps (in millions of euro)	$ 44	–	44
Swaps (in millions of Chile's CLF)	–	4	4
Swaps (in millions of dollars)	117	106	223
	$ 165	110	271
Sold:			
Swaps (in millions of dollars)	–	140	140
Foreign exchange: (in millions of dollars):			
Bought:			
Forward contracts	–	1,330	1,330
Options	–	17	17
	–	1,347	1,347
Sold:			
Forward contracts	–	256	256
Options	–	7	7
Forward contracts (ounce gold)	–	4	4
	–	267	267

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Type of instrument		2011 Hedging purposes	2011 Trading purposes	2011 Total
Interest rate:				
Bought:				
Futures:				
Forward contracts	$	–	9,986	9,986
TIIE		–	22,131	22,131
Cetes		–	900	900
Bonds		–	21	21
Swap MexDer		–	163	163
Options(shares $1,704 and indexes $3,393)		–	5,097	5,097
Swaps		7,752	60,107	67,859
	$	7,752	98,405	106,157
Sold:				
Futures:				
TIIE	$	–	9,170	9,170
CETES		–	600	600
Bonds		–	270	270
Options(shares $2,027 and indexes $3,799)		–	5,826	5,826
Swaps		5,950	60,184	66,134
Warrants(shares $1,820 and foreign exchange $8)		–	1,828	1,828
	$	5,950	77,878	83,828
Bought:				
Swaps (in millions of dollars)		–	121	121
Sold:				
Swaps (in millions of dollars)		198	251	449
Foreign exchange (in millions of dollars):				
Bought:				
Forward contracts		–	352	352
Options		–	3	3
		–	355	355

(Continued)

	2011		
Type of instrument	**Hedging purposes**	**Trading purposes**	**Total**
Sold:			
Forward contracts	–	449	449
Options	–	3	3
Forward contracts (gold ounce)	–	3	3
	–	455	455
(in millions of euros)			
Sold:			
Swaps	37	–	37

The Group may reduce or modify the market risk mainly through two activities: converting fixed to variable rate financial assets and floating-rate to fixed rate financial liabilities. Both transformations are achieved using interest rate swaps and foreign exchange swaps related to different rates of interest.

At December 31, 2012, of all operations, there are 118 (37 in 2011) totaling $15,560 ($9,670 in 2011) and are converting liabilities, assets in securities and 28 days loans classified as hedges under the cash flow methodology, the remainder relates to hedges of credit and bonds for $6,359 ($7,461 in 2011) and for value hedges are classified as covered under the fair value methodology.

The Group uses derivative financial instruments with the purpose of properly dealing with interest rate and exchange rate risks inherent to loan, deposit and investment transactions, all of which are characteristic of commercial banking. The most widely used instruments are interest rate and currency swaps, whereby floating rate instruments are transformed into fixed rate instruments and vice versa or assets denominated in foreign currency are translated into domestic currency or vice versa. Derivatives may be used for hedging cash flows or the economic value of various Group assets and liabilities. There are defined control policies for the designation and continuous follow up of the effectiveness of such hedges.

(Continued)

(9) Loan portfolio-

(a) Classification of loan portfolio by currency-

At December 31, 2012 and 2011, the classification of loans into current and past due by currency, which includes the restructured portfolio in UDI Trusts, is analyzed as follows:

	2012			2011		
	Current		Past due	Current		Past due
In assets:						
Pesos:						
Business or commercial activity	$ 33,540		334	31,948		300
Financial institutions	4,027		–	3,291		32
Government entities	3,729		–	4,768		–
Consumer loans	23,256		602	16,098		581
Residential mortgages	47,869		1,945	42,953		2,110
	112,421		2,881	99,058		3,023
Foreign currency (stated in pesos):						
Business or commercial activity	8,468		17	9,893		46
Financial institutions	2,607		–	169		–
Government entities	1,216		–	2,095		–
Residential mortgages	166		50	194		41
	12,457		67	12,351		87
	$ 124,878		2,948	111,409		3,110
		127,826			114,519	
In memorandum accounts:						
Loan commitments		6,812			4,267	
		$ 134,638			118,786	

For the years ended December 31, 2012 and 2011, the Group has no restricted portfolio, therefore the entire portfolio is unrestricted.

(Continued)

(b) Classification of loan portfolio by economic sector-

At December 31, 2012 and 2011, credit risk (including loans, guarantees and loan commitments, see note 20d) classified by economic sector and the percentage of concentration are analyzed as follows:

	2012		2011	
	Amount	**%**	**Amount**	**%**
Community, social and personal services, mainly government entities	$ 12,678	10	$ 11,468	10
Construction and housing	54,259	40	51,573	43
Financial, insurance and real estate services	12,393	9	8,303	7
Manufacturing	11,291	8	10,370	9
Commerce and tourism	13,906	10	12,897	11
Consumer loans and credit cards	23,859	18	16,679	14
Agriculture, forestry and fishing	3,848	3	3,765	3
Transportation, warehousing and communication	906	1	1,027	1
Other	1,498	1	2,704	2
	$ 134,638	100	$ 118,786	100

(c) Acquisition of consumer loans-

On March 31, 2011, the Bank wrote off from the consolidated balance sheet the amount not recovered of consumer loans (auto loans) acquired to a SOFOL in 2006, mentioned in the preceding paragraph for $88, which it applied against the allowance created.

At December 31, 2011, there is no amount to recover regarding this portfolio.

(d) Loans to government entities-

At December 31, 2012 and 2011, loans granted to government entities are analyzed as follows:

	2012	2011
Autonomous entity loan	$ 1,239	2,096
Receivables under financial support programs	204	266
Governments, municipalities and state secretariats	3,502	4,501
Total loans to government entities	$ 4,945	6,863

(Continued)

(e) Early termination of mortgage programs-

On July 15 and 26, 2010, the relevant agreement was executed and the Federal Official Gazette published the General Provisions applicable to the early termination of the support programs for housing loan debtors, which included the requirements for the loans eligible to participate, as listed below:

(i) Loans that have been restructured or granted in UDIS under the UDIS programs irrespective of whether or not they are entitled to the discount program benefits,

(ii) domestic currency-denominated loans entitled to the discount program benefits,

(iii) loans that as of December 31, 2010 (cut-off date) are current and,

(iv) past-due loans that were restructured or to which a debt relief, discount or allowance was applied no later than December 31, 2010, and for which evidence substantiating payment for at least three consecutive amortizations no later than March 31, 2011 exists.

As a result of the foregoing, the amounts of the discounts granted and the effects of the early termination on the Group's financial information are as follows:

- The amount of the conditional discount portion payable by the Federal Government in connection with the mortgage programs related to the UDI trusts and own UDI-denominated loans, for the current loan portfolio is $81 and $74, respectively.

- In May 2011, $7 was recorded in accounting, thus reducing the loan due by the Federal Government, which was charged to the allowance for loan losses, due to the default of 29 borrowers, under the Agreement to prove "Fulfillment of payment" by March 31, 2011.

- The amount of the discounts applied prior to the signing of the Discount Program is $178.

(Continued)

For the discounts payable by the Federal Government, a 5-year loan payable on an annual basis was recognized under "Commercial loans – Government Entities", being part of the current loan portfolio. The general terms of the loan payable by the Federal Government is shown following:

Annuity	**Payment date**
First	December 1, 2011
Second	June 1, 2012
Third	June 3, 2013
Fourth	June 2, 2014
Fifth	June 1, 2015

A financial cost charged monthly to the loan payable by the Federal Government by calculating for January 2011 the arithmetic average rates of annual return of 91-day CETES issued in December 2010, and for subsequent months, the interest rates of 91-day CETES futures for the immediately preceding month, as published by Proveedor Integral de Precios, S. A. (PIP) the business day immediately following the cut-off date, or the interest rate of the month closer to such publication, as appropriate, on 28-day yield curves, by dividing the resulting rate by 360 days and multiplying the result by the number of days actually elapsed during the interest-bearing period, with capitalization on a monthly basis. The Federal Government's payment obligations will be subject to the agreement provisions.

On June 1, 2012 and December 1, 2011, the Group received payment of the first and second annual installment on the discounts due by the Federal Government under the Agreement for $72 ($66, of capital and $6 of interest) and $80 (66, of capital and $14 of interest), respectively.

At December 31, 2012, the Group did not apply any amount to the remaining balance of the trust liability payable by the Group and that should be charged to the allowance for credit risks.

(Continued)

The Special Cetes currently recorded by the Group at December 31, 2012 under "Investment securities – Held-to-Maturity securities" (see note 6b):

	Titles		Amount	Maturity date
Special Cetes B4 170713	8,867,241	$	756	July 13, 2017
Special Cetes B4 220707	3,961,831		338	July 7, 2022
Special Cetes B4 220804	21,792		2	August 4, 2022
Special Cetes B4 270701	11,209,686		956	July 1, 2027
Special Cetes BC 170713	404,851		11	July 13, 2017
Special Cetes BC 220804	3,115		–	August 4, 2022
Special Cetes BV 270701	6		–	July 1, 2027
Total special Cetes	24,468,522	$	2,063	

There are no significant amounts in the captions of other assets and liabilities arising from trust termination.

(f) Additional loan portfolio information-

Annual weighted lending rates:

Annual weighted loan interest rates during 2012 and 2011 were as follows:

	2012	2011
Commercial loans*	6.48%	6.50%
Personal loans	15.74%	16.18%
Credit cards	27.96%	28.49%
Residential mortgages	11.54%	11.81%

* Includes commercial, financial and government entities loans.

Support programs for natural disasters:

Through official letter number 100/002/2011 issued on March 4, 2011, the Banking Commission authorized credit institutions that are members of the Asociación de Bancos de México, A.C., to apply the special accounting criteria with support the borrowers included in its agricultural loan portfolio in the Mexican States of Chihuahua, Durango, Sinaloa, Sonora, Veracruz and Zacatecas, who were affected by the frost from February 1 to 5, 2011, however, none of the Group´s customers required such support aid.

Loans rediscounted with recourse:

The Mexican Government has established certain funds to promote the development of specific areas of the agriculture, cattle-raising, industrial and tourism sectors, which are managed by the Central Bank, Nacional Financiera S. N. C. (NAFIN), Banco Nacional de Comercio Exterior (Bancomext) and Fideicomisos Instituidos en relación con la Agricultura (FIRA) by rediscounting loans with recourse. At December 31, 2012 and 2011, the amount of loans granted under these programs totaled $3,801 and $4,819, respectively, and the related liability is included in "Bank and other borrowings" (see note 15).

Restructured loans:

At December 31, 2012 and 2011, restructured and renewed loans are analyzed as follows:

		Current loans	Past due loans	Total	
2012					
Commercial loans	$	1,573	130	1,703	
Residential mortgages		4,642	434	5,076	(2)
Consumer loans		78	23	101	
	$	6,293	587	6,880	
2011					
Commercial loans	$	2,759	152	2,911	(1)
Residential mortgages		4,750	494	5,244	(2)
Consumer loans		121	84	205	
	$	7,630	730	8,360	

(1) In 2011, a commercial loan was restructured, with additional estate guarantees amounting to $7.

(2) From the total balance of restructured and renewed residential mortgage loans as of December 31, 2012 and 2011, there were no additional guaranties obtained.

During 2012 and 2011, the Group considered restructuring modifications to the original terms of loans classified as commercial loans by $1,130 and $32, respectively.

(Continued)

Current loans restructured by the Group during 2012 and 2011, which continue to be current, amount to $216 and $37. During 2012, no past due commercial loans were restructured. For 2011, the Group had only one past-due commercial loan for $53 that was restructured and remained past due.

During 2012 and 2011, the Group restructured past due mortgage loans for $632 and $1,181, respectively. At December 31, 2012 and 2011 the current portfolio totals $602 and $29, while the past due portfolio aggregates $1,114 and $67, respectively.

During 2012, the Group did not restructure consumer loans. For 2011, the restructuring of past due portfolio amounted to $4, of which at December 31, 2011 $3 are current and $1 are past due loans.

During the years 2012 and 2011, capitalization of interest was held for $10 and $19, respectively.

Risk concentration:

At December 31, 2012, the Bank has one individual debtor that exceeded 10% of the Bank's basic capital. At December 2011, there were no balances due from one individual debtor that exceeded such limit. The balance of the loans granted to the three largest debtors as of December 31, 2012 and 2011, amount to $12,334 and $5,545, respectively.

Past due loan portfolio:

An analysis of past due loans at December 31, 2012 and 2011, from the date the loans went past due, are summarized below:

		90 to 180 days	181 to 365 days	1 to 2 years	Over 2 years	Total
2012						
Commercial*	$	99	46	67	139	351
Consumer		565	34	3	–	602
Residential mortgages		1,204	434	333	24	1,995
	$	1,868	514	403	163	2,948
2011						
Commercial*	$	157	32	118	71	378
Consumer		533	45	3	–	581
Residential mortgages		1,231	564	190	166	2,151
	$	1,921	641	311	237	3,110

* Includes commercial loans, loans to financial institutions and government entities.

(Continued)

The movement in the past due loan portfolio for the years ended December 31, 2012 and 2011 is summarized below:

	2012	**2011**
Balance at beginning of year	$ 3,110	3,788
Settlements	(22)	(22)
Write-offs and debt forgiveness	(1,620)	(2,440)
Net increase	1,407	1,773
Foreign exchange fluctuation	(2)	11
Portfolio acquired (Crédito Familiar)	75	–
	$ 2,948	3,110

Nominal interest on the past due loan portfolio not recognized in results of operations for the year ended December 31, 2012 amounted to $156 ($165 in 2011).

For the years ended December 31, 2012 and 2011, the Group opted for eliminating from assets those past due loans that had been reserved in full for $1,499 and $2,267, respectively. In both years there was no application of reserves for related loans.

For the years ended December 31, 2012 and 2011, the Bank obtained recoveries of loans for $590 and $502, respectively.

Impaired loans:

The balance of impaired commercial loans as of December 31, 2012 and 2011 is $2,473 and $1,489, respectively, from which $2,122 and $1,110 are recorded in current loans, and $351 and $378 are recorded in past due loans, respectively.

(Continued)

Adjustment for valuation of financial asset hedging:

At December 31, 2012 and 2011, the adjustment to the carrying value of the loan portfolio by the gain or loss in results of operations for the year is presented under the caption "Valuation adjustment from hedging of financial assets" in the unconsolidated balance sheet por $63 y $150, respectivamente.

(g) Allowance for loan losses-

As explained in notes 2(k) and 23(c), the Group categorizes its loan portfolio and an allowance is established to provide for the credit risks associated with the collection of the loan portfolio.

At December 31, 2012 and 2011, the allowance for loan losses classified between general reserves and specific reserves according to the criteria mentioned in note 2(k), is as follows;

	2012		2011	
	General	**Specific**	**General**	**Specific**
Commercial *	$ 54	970	298	1,132
Personal loans	663	1,341	213	1,079
Residential mortgages	96	420	77	493
	$ 813	2,731	588	2,704
	$ 3,544		3,292	

* Includes commercial loans, loans to financial institutions and government entities.

At December 31, 2012, the graded loan portfolio and the allowance for loan losses, are classified as follows:

Degree of risk	Commercial*	Consumer	Residential Residential mortgages	Total
Graded loan portfolio				
A and A-1	$ 30,608	3,061	45,000	78,669
A-2	16,169	–	–	16,169
B and B-1	11,296	15,191	4,255	30,742
B-2	809	3,920	–	4,729
B-3	688	–	–	688
C and C-1	563	1,133	640	2,336
D	312	452	1	765
E	102	101	133	336
Total graded portfolio	$ 60,547	23,858	50,029	134,434
Allowance for loan losses				
A and A-1	$ 86	15	96	197
A-2	107	–	–	107
B and B-1	189	836	185	1,210
B-2	63	333	–	396
B-3	79	–	–	79
C and C-1	200	424	194	818
D	203	323	1	527
E	97	73	40	210
Allowance for graded loans	$ 1,024	2,004	516	3,544
Additional reserves for residential mortgages past due loans				90
Operational risk reserve				31
Additional reserve for past due interest				43
Total allowance for loan losses				$ 3,708

* Includes commercial, financial institutions and government entities loans.

(Continued)

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At December 31, 2011, the graded loan portfolio and the allowance for loan losses are classified as follows:

Degree of risk		Commercial*	Consumer	Residential mortgages	Total
Graded loan portfolio					
A and A-1	$	30,892	2,853	40,750	74,495
A-2		16,377	–	–	16,377
B and B-1		7,543	9,104	3,453	20,100
B-2		241	3,634	–	3,875
B-3		184	–	–	184
C and C-1		802	594	789	2,185
C2		52	–	–	52
D		24	391	2	417
E		429	103	304	836
Total graded portfolio	$	56,544	16,679	45,298	118,521
Allowance for loan losses					
A and A-1	$	140	14	77	231
A-2		158	–	–	158
B and B-1		359	397	141	897
B-2		14	298	–	312
B-3		25	–	–	25
C and C-1		274	221	246	741
C2		21	–	–	21
D		15	280	1	296
E		424	82	105	611
Allowance for graded loans	$	1,430	1,292	570	3,292
Additional reserves for residential mortgages past due loans					230
Operational risk reserve					22
Additional reserve for past due interest					32
Total allowance for loan losses				$	3,576

* Includes commercial loans, loans to financial institutions and government entities.

(Continued)

Beginning in March 2012, the methodology for determining the allowances for commercial loans is based on the severity of the loss. The change in methodology was intended to implement an advanced rating model that enables a reliable estimate of the need for reserves. Changing the methodology resulted in a decrease of $65 in the reserve.

The new methodology for reserves of the mortgage and personal loan portfolios published by the Banking Commission was applied to the allowance for loan losses at March 2011, resulting in a favorable effect of $72, recognized in the year's income.

As a result of the implementation of the new model for creating the allowance for loan losses to Mexican states and their municipalities, the favorable effect that the Group recognized in income at December 31, 2011 was $8.

As a result of the change in the method for rating mortgage loans, as to the region that should be considered for each Mexican state, as well as the region that should be assigned for loans having a first losses hedge scheme, a favorable effect of $79 was recognized in income at December 31, 2011.

Additional reserves recognized by the Banking Commission

Through official letter number 142-2/6584/2012 dated October 15, 2012, the Banking Commission authorized the Bank to create additional reserves for covering FOVI (Fund for the Operations and Bank Financing of Housing) type loans. The allowance was determined by analyzing such portfolio and the need of recording additional allowances for loans with guarantees with recovery deficiencies on the unpaid balance provided for by such Fund. The authorized additional allowance amounts to $97, which will be accounted for on a monthly basis over 36 months, at a monthly rate of $2.7, from the authorization date. At December 31, 2012, a total of $8.1 has been recorded in income of the year, corresponding to 3 accrued periods.

At December 31, 2011, the Bank has no additional guarantees recognized and authorized by the Banking Commission.

(Continued)

The movements in the allowance for loan losses for the years ended December 31, 2012 and 2011 is summarized below:

	2012	2011
Balance at beginning of year	$ 3,576	3,913
Provisions charged to results of operations	1,359	2,047
Applications, waivers and others	(1,550)	(2,361)
Foreclosed	(57)	(53)
Exchange rate fluctuations	(14)	30
Portfolio acquired (Crédito Familiar)	394	–
Balance at end of year	$ 3,708	3,576

A reconciliation between the total graded portfolio and total credit risk, including that recognized in memorandum accounts as of December 31, 2012 and 2011 is analyzed as follows:

	2012	2011
Total graded portfolio	$ 134,434	118,521
Portfolio not including creditors under support programs	204	265
Total of credit risks	$ 134,638	118,786

(10) Collection rights and mortgage portfolio securitization-

(a) Collection rights-

As of December 31, 2012 and 2011, the Group has recorded under the caption “Other accounts receivable” on the unconsolidated balance sheet, collection rights of private securitization of securities entered into with different of non-bank financial. The acquisitions, collection and balances related to the collection rights are shown in the next page.

		2012			
	Balance as of Dec 31, 2011	Acquisition	Collection	Balance as of Dec 31, 2012	Maturity date
Trust 242896	$ 2,850	2,932	(1,680)	4,102	June 2017*
Trust 959	316	–	(316)	–	–
Trust 1364	695	–	(695)	–	–
Trust 1439	1,500	1,500	(1,000)	2,000	February 2016**
Trust 1178	1,500	850	(1,522)	828	June 2015***
Trust 1355	–	103	–	103	November 2018****
	6,861	5,385	(5,213)	7,033	
Accrued interest corresponding to commissions for unused credit lines	27	28	(27)	28	
	$ 6,888	5,413	(5,240)	7,061	

		2011			
	Balance as of Dec 31, 2010	Acquisition	Collection	Balance as of Dec-31,2011	Maturity date
Trust 242896 (Restructured)	$ 1,110	2,828	(1,088)	2,850	June 2017
Trust 959	1,969	–	(1,653)	316	June 2015
Trust 1364	1,837	–	(1,142)	695	September 2015
Trust 1439	–	1,500	–	1,500	February 2016
Trust 1178	–	1,500	–	1,500	June 2015
	4,916	5,828	(3,883)	6,861	
Accrued interest corresponding to commissions for unused credit lines	25	27	(25)	27	
	$ 4,941	5,855	(3,908)	6,888	

* During 2012, the Group acquired new collection rights for $2,932 over a trust, supported by the automotive portfolio, which matures in June, 2017 (See note 1).

** During 2012, the Group acquired new collection rights of $1,500 over a trust, supported by the automotive portfolio, maturing in February 2016 (See note 1).

*** During 2012, the Group acquired new collection rights over a trust supported by credit assets in the amount of $850. The promissory note matures in June 2015 (See note 1).

****On November 30, 2012, it acquired new collection rights for $1,000 over a trust backed by operating lease assets, maturing in November 2018. At December 31, only $103 has been utilized (see note 1).

For the years ended December 31, 2012 and 2011, the Group recognized in the results of year $357 and $400, respectively by accrued interest concept, which are included in the consolidated income statement under the caption "Other operating income".

(Continued)

According to the interest method, used for recording the promissory notes, the expected cash flows are deemed highly effective when compared to actual cash flows; furthermore, it has not been necessary to create a preventive reserve for collection rights at December 31, 2012 and 2011 being that there have been no events that modify the expected cash flow amounts. The totality of the collections made was in cash.

The expected cash flows were calculated using the net present value of projections, using a market discount rate.

(b) Mortgage portfolio securitization-

On March 13, 2008, the Group realized a securitization of a mortgage portfolio, through of a trust that issued debt securities for $2,500 with maturity in 20 years and a rate of 9.15%. At December 31, 2012 and 2011, the amount of the portfolio assigned receivable amounted to $1,300 and $1,595 respectively, and the amount payable on the debt securities amounted to $1,092 and $1,334, respectively.

As part of the agreed-upon consideration for the securitization, the Group received a trust certificate, the value of which as of December 31, 2012 and 2011 is $95 and $182, respectively. The certificate is reported under the caption “Benefits receivable on securitization transactions” on the consolidated balance sheet, and is recorded at fair value, which was determined based on the expectations for recovery of the trust estate and the remaining cash flows once all obligations to bondholders are met. The fair value of benefits receivable on securitization transactions, that for the years ended December 31, 2012 and 2011 were $65 and $23 respectively, was recognized in "Other operating income (egresos)" in the consolidated statement of income. During the year ended 2011, the Group received $23 as payment for a remnant, which was applied directly to reduce benefits receivable.

The transferred portfolio as of December 31, 2012 and 2011 received prepayments of $216 and $184, respectively.

The Bank receives servicing fees from the trust, which are recognized in earnings when are accrues, which for the years ended December 31, 2012 and 2011 the income from this source were $13 and $16, respectively.

The trust is not consolidated in accordance with the provisions of paragraph 21 in the transitional section of the C-5 issued by the Banking Commission on 19 September 2008.

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(11) Foreclosed assets-

At December 31, 2012 and 2011, foreclosed assets are analyzed as follows:

		2012	2011
Premises	$	34	33
Furniture, values and foreclosed rights		10	–
Asset under enforceable promise to sell		–	1
		44	34
Allowance for impairment		(15)	(17)
	$	29	17

The movement of the allowance for impairment for the years ended December 31, 2012 and 2011 is analyzed as follows:

		2012	2011
Balance at beginning of year	$	(17)	(79)
Additional provisions due to aging, charged to operations for the year		(2)	(1)
Credit to income on sale of assets		4	63
Balance at end of year	$	(15)	(17)

(Continued)

(12) Premises, furniture and equipment-

Premises, furniture, equipment and leasehold improvements at December 31, 2012 and 2011 are analyzed as follows:

	2012	2011	Annual depreciation and amortization rate
Lands	$ 565	565	–
Office premises	1,742	1,680	Various
Office furniture and equipment	1,485	1,290	Various
Works of art	2	2	N/A
Computer equipment	1,418	1,049	30%
Computer equipment on capital lease	96	96	20%
Transportation equipment	76	69	25%
Telecommunications equipment	443	284	10%
Improvements and adaptations	2,042	1,965	Various
Dining room	3	3	–
	7,872	7,003	
Accumulated depreciation	(3,685)	(2,926)	
	$ 4,187	4,077	

Depreciation charged to results of operations for the years ended December 31, 2012 and 2011 amounted to $382 and $311, respectively.

According to the studies conducted by the Group, at December 31, 2011 the residual value of property is zero.

(Continued)

(13) Permanent investments-

At December 31, 2012 and 2011, permanent investments in shares, classified by activity, are analyzed as follows:

		2012	2011
Others banking related services	$	46	45
Mutual funds		32	28
Derivatives market operators		5	8
Security and protection *		1	1
Other activities *		3	3
	$	87	85

In November 2010, 4,198,500 shares representing the capital stock of an entity classified as other permanent investment were sold being that there was neither control nor significant influence. At the time of sale, the value of the shares had been 100% impaired. In exchange, a consideration of $93 was received, of which $15 were withheld by the purchaser and recognized as an account receivable due to the fact that their refund was conditioned to compliance of contractual events. Therefore, such amount was 100% reserved as uncollectible. The net amount of $78 was recognized in “Other operating income” in the consolidated statement of income. During the year ended December 31, 2011, $3 was received as a refund of the amount withheld, which were recognized in “Other operating income”.

(14) Deposit funding-

The average weighted interest rates on deposit balances during the years ended December 31, 2012 and 2011 were as follows:

	2012 Rates		2011 Rates	
	Pesos	**Dollars**	**Pesos**	**Dollars**
Demand deposits	1.12%	0.05%	1.01%	0.05%
Savings deposits	0.56%	–	0.55%	–
Time deposits of the public	3.78%	0.18%	3.76%	0.18%
Money market	4.59%	0.52%	–	0.65%

At December 31, 2012 and 2011, the Group issued bank bonds certificates under the program authorized by the Banking Commission for up to $15,000, which issues are detailed below (see note 1a):

2012:

Number of securities	Interest payments	Rate	Emission ratio	Amount	Term
20,000,000	28 days	TIIE 28 days + 0.25%	13%	$ 2,000	3 years
2011:					
31,420,000	28 days	TIIE 28 days + 0.40%	21%	3,142	5 years
3,580,000	28 days	TIIE 28 days + 0.49%	2%	358	7 years
35,000,000				3,500	
========					
				$ 5,500	

Derived from program of bank bonds certificates authorized by the Banking Commission for an amount of $10,000, at December 31, 2011 the Bank issued 27,000,000 securities for $2,700, which issues are detailed below:

Number of securities	Interest payments	Rate	Emission ratio	Amount	Term
20,000,000	28 days	TIIE 28 days - 0.09%	20%	$ 2,000	5 years
4,000,000	semiannual	9.89%	4%	400	10 years
3,000,000	semiannual	9.75%	3%	300	13 years
27,000,000				$ 2,700	
========				=====	

The nominal value of stock certificates is one hundred nominal pesos.

Accrued interest payable at December 31, 2012 and 2011, is $22 and $20, respectively.

(Continued)

(15) Bank and other borrowings-

At December 31, 2012 and 2011, bank and other borrowings are analyzed as follows:

		2012	2011
Due on demand	$	1,068	–
Short-term:			
Pesos:			
Development banks [1]		1,540	2,112
Development agencies [1]		808	882
Accrued interest		16	27
		2,364	3,021
Denominated in dollars, translated into pesos:			
Development agencies [1]		161	117
Development banks [1]		31	7
		192	124
Total short term		2,556	3,145
Long-term:			
Pesos:			
Development banks [1]		–	6
Development agencies [1]		1,215	1,624
FOVI		195	248
		1,410	1,878
Denominated in dollars, translated into pesos:			
Development agencies [1]		35	23
Private domestic banks		519	559
		554	582
Total long-term		1,964	2,460
Total bank and other borrowings	$	5,588	5,605

[1] Development funds (see note 9(f)).

(Continued)

Due to the operating characteristics of the interbank loans that the Group maintains, such as access to funds via auctions, loans regulated by the Central Bank with no pre-established limit, loans subject to availability of funds of the lenders' budget with no limit to the Group, loans whose limit is agreed to daily by the lender, at December 31, 2012 and 2011, the Group has no significant interbank lines of credit with authorized amounts that have not been drawn down.

For the years 2012 and 2011, bank and other loans weighted average annual interest rates are as follows:

	2012 Rates		2011 Rates	
	Pesos	Foreign currency	Pesos	Foreign currency
Private domestic banks	4.30%	0.60%	4.43%	–
Central Bank	4.51%	–	4.53%	–
Development banks	5.91%	2.27%	6.12%	4.39%
Development agencies	4.31%	1.25%	5.06%	1.48%

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(16) Employee benefits-

The Bank, the Brokerage Firm, the Mutual Fund Management Company and SECOSA (the subsidiaries) have in place a contributory pension and post-retirement benefit plan that covers all employees who joined the Bank since April 1, 2006. The plan is optional for those employees who joined the Bank at an earlier date. The plan provides for established contributions by the subsidiaries and employees, which may be fully withdrawn by employees when aged 55 years.

For the years ended December 31, 2012 and 2011, the charge to operations for the Group's contributions to the contributory pension plan amounted to $67 and $62, respectively.

The Bank and the Brokerage Firm also have a defined pension benefit plan to which employees make no contributions. All employees are entitled to this plan when aged 60 years, with 5 years of service, or 55 years of age, with 35 years of service, as provided for by the collective bargaining agreement.

The costs, obligations and assets of the defined pension, seniority premium, post-retirement medical service, life insurance, food coupons for retirees benefit plans were determined based on computations prepared by independent actuaries as of December 31, 2012 and 2011.

The components of the net periodic cost (income) at nominal value for the years ended December 31, 2012 and 2011 are show as follows:

	Pensions			Seniority premium			Medical expenses, food coupons. life insurance
	Retirement	**Disability**	**Total**	**Retirement**	**Termination**	**Total**	**for retirees**
2012							
Service cost	$ 30	2	32	3	5	8	71
Interest cost	182	4	186	6	4	10	223
Return on plan assets	(170)	(5)	(175)	(5)	(6)	(11)	(242)
Amortization of prior service:							
Transition asset	–	–	–	–	–	–	(9)
Plan modifications	26	–	26	–	–	–	(14)
Actuarial loss, net	8	–	8	1	–	1	33
Net periodic cost	76	1	77	5	3	8	62
Income recognition of actuarial gains generated in the year	–	–	–	–	–	–	–
Cost (income) recognized losses (gains) generated in year actuarial	–	(2)	(2)	–	(3)	(3)	–
Total cost (income)	$ 76	(1)	75	5	–	5	62

(Continued)

		Pensions			Seniority premium		Medical expenses, food coupons. life insurance
	Retirement	Disability	Total	Retirement	Termination	Total	for retirees
2011							
Service cost	$ 29	2	31	3	5	8	95
Interest cost	173	4	177	4	4	8	217
Return on plan assets	(160)	(4)	(164)	(4)	(6)	(10)	(214)
Amortization of prior service:							
Transition asset	–	–	–	–	–	–	(8)
Plan modifications	9	–	9	–	–	–	(3)
Actuarial loss (gain), net	–	–	–	–	–	–	33
Net periodic cost	51	2	53	3	3	6	120
Income recognition of actuarial gains generated in the year	–	–	–	–	–	–	–
Cost (income) recognition of actuarial gains generated in the year	–	(10)	(10)	–	5	5	–
Total cost (income)	$ 51	(8)	43	3	8	11	120

Below is a reconciliation of the opening and final balances, and detail on the present value of the pension, seniority premium, medical expenses, food coupons and life insurance benefit obligations as of December 31, 2012:

		Pensions			Seniority premium		Medical expenses, food coupons, life insurance
	Retirement	Disability	Total	Retirement	Termination	Total	for retirees
Define benefit obligations (DBO) (DBO) as of December 31, 2011	$ (2,099)	(41)	(2,140)	(67)	(53)	(120)	(2,632)
Plan modifications	–	–	–	–	–	–	170
Current service cost	(30)	(2)	(32)	(4)	(5)	(9)	(71)
Financial cost	(182)	(4)	(186)	(6)	(4)	(10)	(223)
Paid benefits	203	1	204	5	6	11	111
Actuarial loss	(273)	–	(273)	(7)	–	(7)	(415)
Transfer obligations	–	–	–	–	–	–	–
Additional recognition	(18)	–	(18)	–	–	–	–
DBO as of December 31, 2012	(2,399)	(46)	(2,445)	(79)	(56)	(135)	(3,060)
Plan assets at fair value	1,946	55	2,001	66	80	146	2,814
Financial situation of the fund	(453)	9	(444)	(13)	24	11	(246)
Past service for:							
Transition asset	–	–	–	–	–	–	–
Plan improvements	66	–	66	–	–	–	(192)
Cumulative actuarial gains	501	–	501	17	–	17	1,051
Projected asset, net as of December 31, 2012	$ 114	9	123	4	24	28	613

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A reconciliation of the net projected (liability) asset as of December 31, 2012 is analyzed as follows:

		Pensions			Seniority premium			Medical, expenses food coupons, life insurance, for retirees
		Retirement	Disability	Total	Retirement	Termination	Total	
Projected asset, net as of December 31, 2011	$	74	7	81	4	23	27	553
Net cost for fiscal year		(76)	(1)	(77)	(5)	(3)	(8)	(62)
Contributions to fund during 2012		116	1	117	5	3	8	122
Immediate recognition of gains and losses		–	2	2	–	1	1	–
Projected asset, net as of December 31, 2012	$	114	9	123	4	24	28	613

Details of the present value of the defined pension, seniority premium, medical expenses, food coupons and life insurance benefit obligations as of December 31, 2011 is analyzed as follows:

		Pensions			Seniority premium			Medical expenses, food coupons, life insurance for retirees
		Retirement	Disability	Total	Retirement	Termination	Total	
Defined Benefit Obligations								
((DBO) as of December 31, 2010	$	(2,063)	(44)	(2,107)	(57)	(47)	(104)	(2,531)
Current service cost		(29)	(2)	(31)	(3)	(5)	(8)	(95)
Financial cost		(173)	(4)	(177)	(4)	(4)	(8)	(217)
Paid benefits		177	1	178	4	7	11	93
Anticipated reduction of obligations		–	–	–	–	–	–	9
Actuarial (loss) gain		32	8	40	(5)	–	(5)	109
DBO as of December 31, 2011		(2,056)	(41)	(2,097)	(65)	(49)	(114)	(2,632)
Plan assets at fair value		1,801	48	1,849	57	71	128	2,497
Financial situation of the fund		(255)	7	(248)	(8)	22	14	(135)
Past service for:								
Transition asset		–	–	–	–	–	–	(8)
Plan improvements		75	–	75	1	–	1	(36)
Cumulative actuarial gains		297	–	297	11	–	11	733
Projected asset, net as of December 31, 2011	$	117	7	124	4	22	26	554

(Continued)

A reconciliation of net projected asset as of December 31, 2012 is analyzed as follows:

		Pensions			Seniority premium			Medical, expenses food coupons, life insurance,
		Retirement	Disability	Total	Retirement	Termination	Total	for retirees
Projected (liability) asset, net as of December 31, 2010	$	71	–	71	4	26	30	508
Net cost of period		(51)	(2)	(53)	(3)	(3)	(6)	(120)
Contributions to fund during 2011		97	4	101	3	3	6	160
Immediate recognition of gains and losses		–	5	5	–	(4)	(4)	6
Projected (liability) asset, net as of December 31, 2011	$	117	7	124	4	22	26	554

Details of the acquired benefit obligations (ABO) as of December 31, 2012 and 2011 are as follows:

		Pensions			Seniority premium			Medical expenses food coupons life insurance,
		Retirement	Disability	Total	Retirement	Termination	Total	for retirees
2012								
OBA	$	(1,595)	–	(1,595)	(9)	(43)	(52)	(1,246)
2011								
ABO	$	(1,448)	–	(1,448)	(7)	(44)	(51)	(1,073)

Below is an analysis of the movements of the plan assets required for covering the employee benefit obligations for the years ended December 31, 2012 and 2011:

		2012	2011
Fair value of the assets at beginning of year	$	4,473	4,380
Fair value of the assets at beginning of year (Crédito Familiar)		7	–
Plan contributions during the year		248	266
Return on plan assets		559	110
Increase for personnel transfer		1	–
Payments from the fund during the year		(324)	(283)
Fair value of the assets at year end	$	4,964	4,473

During the years ended 2012 and 2011, the expected return on the plan assets are $429 and $390, respectively.

During 2013, contributions to the fund in the amounting to $184 are expected to cover the employee benefit obligations.

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Below is a reconciliation of opening and final balances, and details of the present value of statutory severance compensation obligations as of December 31, 2012 and 2011:

		2012	2011
Acquired benefit obligations (ABO)	$	(293)	(268)
DBO at beginning of year		(268)	(260)
DBO at beginning of year (Crédito Familiar)		(18)	(260)
Current service cost		(17)	(16)
Interest cost		(21)	(20)
Benefits paid		113	80
Actuarial loss		(91)	(52)
DBO at December 31		(302)	(268)
Plan assets		–	–
Fund financial situation		(302)	(268)
Prior service:			
Transition liability		–	33
Projected liability, net	$	(302)	(235)

The net cost of statutory compensation benefits for the years ended December 31, 2012 and 2011, amounted to $169 y $125, respectively.

The nominal rates as of December 31, 2012 and 2011 used in actuarial projections are as follows:

	2012	2011
Return on plan assets	8.00%	9.75%
Discount rate	8.00%	9.25%
Rate of compensation increase	5.00%	5.00%
Rate of increase in medical expenses	6.50%	6.50%
Estimated inflation rate	4.00%	4.00%

The expected return rate on the plan assets was determined using the expected long-term performance on assets of the portfolio of funds.

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The plan assets covering the pension, seniority premium, medical expense, food coupons, and life insurance for retirees benefit plans consist of 40% equity instruments and 60% debt instruments subject to a trust and managed by a Group-designated committee.

The effect of an increase or decrease by a percentage point in the rate of increase in medical expenses used for the actuarial projections is shown below:

	Rate	DBO medical expenses for retirees
Without modification	6.5%	$ 2,370
1% increase in medical inflation rate	7.5%	2,843
1% decrease in medical inflation rate	5.5%	2,001

A summary of the amount of employee benefits related to DBO, plan assets and projected benefit obligation over (under) plan assets and experience adjustments, for the years ended December 31, 2010, 2009 and 2008 follows:

	Pensions		
	2010	2009	2008
DBO	$ (2,112)	(1,930)	(1,766)
Plan assets	1,889	1,703	1,431
Financial situation of the fund	$ (223)	(227)	(335)
Variances in assumptions and experience adjustments	$ 58	230	329

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		Seniority premiums		
		2010	**2009**	**2008**
DBO	$	(104)	(101)	(92)
Plan assets		130	114	99
Financial situation of the fund	$	26	13	7
Variances in assumptions and experience adjustments	$	7	(3)	(6)

		Medical expenses, food coupons and life insurance		
		2010	**2009**	**2008**
DBO	$	(2,534)	1,993	(1,831)
Plan asstes		2,361	(2,010)	1,523
Financial situation of the fund	$	(173)	17	(308)
Variances in assumptions and experience adjustments	$	(361)	477	(719)

		Statutory severance compensation		
		2010	**2009**	**2008**
DBO	$	(250)	(300)	(129)
DBO losses	$	43	–	165

As of December 31, 2012, the amortization periods in years for unrecognized items related to defined pension, seniority premium, post-retirement medical service, life insurance, food coupons for retirees and statutory severance compensation benefits are as follows:

	Pensions		Seniority premium		Medical expenses, food coupons, life insurance,	Statutory severance
	Retirement	**Disability**	**Retirement**	**Termination**	**for retirees**	**compensation**
Bank:						
Prior service –plan improvements	9.49	1.0	10.22	1.0	14.73	N/A
Actuarial loss (gain), net	13.51	Immediate	13.02	Immediate	14.90	Immediate
Brokerage Firm:						
Plan improvements	6.24		N/A	N/A	N/A	N/A
Actuarial loss, net	13.62		11.18	Immediate	15.14	Immediate

(Continued)

	Pensions		Seniority premium		Medical expenses, food coupons, life insurance, for retirees	Statutory severance compensation
	Retirement	Disability	Retirement	Termination		
Management Company:						
Prior service for transition liability	N/A	N/A	1.0	1.0	N/A	1.0
Actuarial loss, net	N/A	N/A	8.78	Immediate	13.80	Immediate
SECOSA:						
Servicios pasados por pasivo de transición	N/A	N/A	1.0	1.0	1.0	1.0
Actuarial loss, net	N/A	N/A	24.76	1.0	1.0	1.0
Crédito Familiar:						
Actuarial loss, net	19.33	N/A	19.33	1.0	N/A	N/A

(17) Related-party transactions-

During the normal course of business, the Group carries out transactions with related parties such as loans, investments, deposit funding, services, etc., causing income and expenses between companies. Transactions and balances incurred by consolidated companies were eliminated and persistence of those who do not consolidate. According to the Group's policies, the Board of Directors authorizes all credit transactions with related parties, which are granted at market rates with guarantees and terms in accordance with sound banking practices.

For the years ended December 31, 2012 and 2011 there were no changes in the existing conditions of balances receivable from and payable to related parties, there were no items that are deemed irrecoverable or difficult collection and no reserve was required for non-collectability , except credit operations where reserves are created according to the methodology of the Banking Commission.

In accordance with Article 73bis of the credit institutions Law, the total amount of transactions with related parties is not to exceed 50% the basic portion of the net capital. The loans made by the Bank to related parties as of December 31, 2012 and 2011 amount to $9,977 and $2,256, respectively. The deposits made by related parties as of December 31, 2012 and 2011 amount to $2,423 and $1,941, respectively.

For the years ended December 31, 2012 and 2011, the Benefits granted to senior management amounted to $250 and $164, respectively.

(18) Income taxes (Income Tax (IT), Flat Rate Business (IETU), and employee statutory profit sharing (ESPS)-

Under the current tax legislation, companies must pay the greater of their IT or IETU. If IETU is payable, the payment will be considered final i.e. not subject to recovery in subsequent years. The IT rate for fiscal years of 2011 and 2012 is 30%, for 2013 the rate is 30% for 2014 shall be 29%, and for 2015 and thereafter, 28%. The IETU and ESPS rates for 2011 and 2012 are 17.5% and 10%, respectively.

(Continued)

Owing to the fact that, according to Group's estimates, the tax payable in future years will be IT, deferred tax effects as of December 31, 2012 and 2011 have been determined on an IT basis, except in the SECOSA where the deferred tax effects was determined on an IETU basis.

On May 19, 2004, the Bank and the Brokerage Firm obtained a favorable resolution from the Federal Judiciary articles 16 and 17 last paragraph of the Income Tax Law in force in 2002. Accordingly, the Bank and the Brokerage Firm is thus authorized to equalize the amount of the tax base used for ESPS determination and that used for IT purposes.

The current IT and ESPS expense (income) is analyzed as follows:

	2012		2011	
	IT and IETU	ESPS	IT and IETU	ESPS
Current:				
Bank and subsidiaries	$ 855	278	640	210
Canceled of the 2011 provision	(38)	(10)	–	–
Brokerage firm	93	31	48	12
Mutual Fund Management Company	49	–	42	–
SECOSA	21	8	15	(5)
Crédito Familiar	41	–	–	–
	1,021	307	745	217
Deferred	(306)	(128)	105	43
	$ 715	179	850	260

Deferred IT, IETU and ESPS:

The deferred tax asset at December 31, 2012 and 2011 comprises the following:

	2012		2011	
	IT and IETU	ESPS	IT and IETU	ESPS
Valuation of financial instruments:				
Trading	$ 83	27	80	26
Available-for-sale	(226)	(75)	(187)	(62)
Cash flow hedge swaps	107	36	58	19
Expense accruals and others	407	122	296	84
Premises, furniture and equipment	(121)	44	(143)	38
Unearned fees collected	302	101	295	99
Pension plan	(233)	(78)	(201)	(68)
Foreclosed assets	224	75	114	38
Excess in allowance for loan losses	259	93	148	53
	802	345	460	227
	$ 1,147		687	

(Continued)

Deferred IT, IETU and ESPS credits (charges) to results of operations and stockholders' equity, for the years ended December 31, 2012 and 2011 are presented below:

	2012		2011	
	IT and IETU	ESPS	IT and IETU	ESPS
Valuation of financial instruments:				
Trading	$ 3	1	(18)	(7)
Available-for-sale	(39)	(13)	(19)	(6)
Cash flow hedge swaps	49	17	37	12
Expense accruals and others	111	38	(42)	(19)
Premises, furniture and equipment	22	6	(3)	(3)
Unearned fees collected	7	2	10	4
Pension plan	(32)	(10)	(26)	(10)
Foreclosed assets	110	37	(25)	(8)
Excess in allowance for loan losses	111	40	–	–
	342	118	(86)	(37)
	$ 460		(123)	
Deferred tax:				
In results of operations	$ 306	128	(105)	(43)
In stockholders' equity:				
Valuation in available-for-sale securities	(39)	(13)	(18)	(6)
Valuation of cash flow hedge swaps	49	17	37	12
Deferred tax by the purchase of Crédito Familiar	26	(14)	–	–
	342	118	(86)	(37)
	$ 460		(123)	

(Continued)

Other considerations:

According to the IT Law, tax losses, restated for inflation, may be carried forward to offset the taxable income against the ten following years. At December 31, 2011, there are tax loss carry-forwards which originated from 1996 through 1999. However, as a result of the agreement between BNS and IPAB, the Bank shall not benefit from tax losses sustained in the fiscal years between June 30, 1996 and December 31, 1999 without the prior written consent of the IPAB. Should the Bank derive any economic benefit from the carry-forwards of such tax losses, the IPAB will be paid an amount similar to the economic benefit received.

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

Corporations carrying out transactions with related parties, whether domestic or foreign, are subject to certain requirements as to the determination of the transaction prices, since these prices must be similar to those that would be used in arm's-length transactions.

(19) Stockholders' equity-

(a) Structure of capital stock-

As of December 31, 2012 and 2011, the common shares without par value that make up the social capital were as follows:

	Series "F"	Series "B"	Total
Subscribed and paid-in shares*	1,660,376,400	1,358,489,782	3,018,866,182
Treasury shares not paid	158,215,942	129,449,407	287,665,349
	1,818,592,342	1,487,939,189	3,306,531,531

* Representing the minimum fixed portion of capital stock.

(b) Dividends declared-

At December 31, 2012 and 2011, the Group declared and paid dividends to BNS, as shown below:

Date of decree	Amount	Payment date in 2012	Date Amount	Payment date in 2011	Amount
30-apr-12	$ 1,000	Aug, 31 / Nov, 30	$ 1,000	-	$ -
25-nov-11	2,000	Mar, 30 / May, 31	1,000	Nov, 30	800
28-apr-11	1,300	-	-	May, 27/Aug, 26 y Nov, 30	1,300
27-mar-09	2,000	-	-	Mar, 18/May, 27	610
			$ 2,000		$ 2,910
			=====		=====

At year end 2012, there are no unpaid dividends. At December 31, 2011 the balance outstanding dividend was $1,000.

(c) Comprehensive income-

The comprehensive income reported in the consolidated statement of changes in stockholders' equity represents the results of the total performance during the year, and includes the net income, plus the result of the valuation of available-for-sale securities and cash flow hedge transactions.

(d) Restrictions on stockholders' equity-

No individual or entity may acquire direct or indirect control of Series "B" shares in excess of 5% of the Group's paid-in capital, through one or more simultaneous or successive transactions of any kind. If deemed appropriate. The Ministry of Finance and Public Credit may authorize the acquisition of a higher percentage, provided that it does not exceed 20% of the capital stock.

In conformity with the General Corporations Law, 5% of the Holding Company's net income for the year must be appropriated to the statutory reserves until such reserves reach 20% of the paid-in capital. At December 31, 2012 the statutory reserve was $901, which had reached the required percentage of capital.

(Continued)

The tax basis of stockholder contributions and retained earnings may be distributed to the stockholders tax free. Distributions in excess of the tax basis are subject to income tax. At December 31, 2012 the capital contribution account (CUCA) and the tax basis retained earnings account (CUFIN) of the Group amount to $7,415 and $5,514, respectively.

The earnings of subsidiaries may not be distributed to the financial Group's stockholders until these are received by way of dividends from the subsidiaries.

(e) Capitalization-

The Commission requires brokerage firms to maintain a minimum capital as a percentage of assets at risk. The percentage is calculated by applying certain specific percentages according to the level of risk assigned, in conformity with the rules established by the Central Bank. The Brokerage Firm's total Capital at December 31, 2012 and 2011 was $1,847.88 and $1,735.68 respectively.

At December 31, 2012 and 2011, the Bank maintained a capitalization index in excess of 10%; accordingly, it is classified as Category I in both years in accordance with article 220 of the Provisions, which is determined by applying certain percentages according to the risk assigned pursuant to the rules established by the Central Bank. Below is the Bank's capitalization information (unaudited information).

Capital as of December 31:

	2012	2011
Stockholders' equity	$ 29,674.2	27,287.4
Investments in financial services entities and their holding companies	(664.5)	(659.6)
Investments in other companies	–	(77.7)
Deferred tax deduction	(351.9)	(201.4)
Deferred assets classed as basic	351.9	201.4
Intangible assets and deferred taxes	(2,376.2)	(2,285.4)
Basic capital (Tier 1)	26,633.5	24,264.7
General allowance for loan loss – Supplementary capital (Tier 2)	435.6	390.1
Net capital (Tier 1 + Tier 2)	$ 27,069.1	24,654.8

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Assets at risk as of December 31, 2012:

	Risk weighted assets	Capital requirement
Market risk:		
Transactions in Mexican pesos at nominal interest rates	$ 12,507.91,000.6	
Transactions with debt securities in pesos with premium and adjustable rates	2,477.1	198.2
Transactions in Mexican pesos at real interest rates or denominated in UDIS	1,573.0	125.8
Positions in UDIS or with returns linked to the INPC	7.0	0.6
Foreign currency transactions at nominal interest rates	1,459.5	116.8
Foreign currency positions or with exchange rate indexed returns	89.6	7.2
Equity positions or with returns indexed to the price of a single share or group of shares	176.9	14.2
Total market risk,	18,291.0	1,463.4
Credit risk		
Group II (weighted at 20%)	67.5	5.4
Group II (weighted at 100%)	911.3	72.9
Group III (weighted at 20%)	1,929.1	154.3
Group III (weighted at 50%)	1,226.4	98.1
Group III (weighted at 100%)	2.3	0.2
Group IV (weighted at 20%)	250.8	20.1
Group V (weighted at 20%)	181.9	14.6
Group V (weighted at 50%)	435.3	34.8
Group V (weighted at 115%)	1,362.9	109.0
Group V (weighted at 150%)	748.8	59.9
Group VI (weighted at 50%)	13,304.5	1,064.4
Group VI (weighted at 75%)	12,376.4	990.1
Group VI (weighted at 100%)	24,888.4	1,991.1
Group VII-A (weighted at 20%)	751.6	60.1
Group VII-A (weighted at 23%)	88.7	7.1
Group VII-A (weighted at 50%)	710.4	56.8
Group VII-A (weighted at 50.7%)	2,632.6	210.6
Group VII-A (weighted at 100%)	44,305.6	3,544.5
Group VII-A (weighted at 120%)	8.5	0.7
Group VII-A (weighted at 150%)	50.1	4.0
Group VIII (weighted at 125%)	2,634.4	210.8
Group IX (weighted at 100%)	24,898.8	1,991.9
Total credit risk	133,766.3	10,701.4
Total operational risk	19,582.4	1,566.6
Total market, credit and operational risk	$ 171,639.7	13,731.4

(Continued)

Capitalization indices as of December 31:

	2012	2011
Capital to credit risk assets:		
Basic capital (Tier 1)	19.91%	20.47%
Supplementary capital (Tier 2)	0.33%	0.33%
Net capital (Tier 1 + Tier 2)	20.24%	20.80%
Capital to market credit and operational risk assets:		
Basic capital (Tier 1)	15.52%	15.46%
Supplementary capital (Tier 2)	0.25%	0.25%
Net capital (Tier 1 + Tier 2)	15.77%	15.71%

Capital adequacy is monitored by the Risk Area through capitalization index projections which consider the various established operating limits vis-à-vis the net capital, with a view to avoiding any possible capital shortfalls and taking any necessary measures to ensure that the capital is maintained at an adequate and sound level.

The "Resolution Amending the General Provisions Applicable to Credit Institutions" (the Resolution) was published in the Federal Official Gazette on November 28, 2012. The purpose of such Resolution is to strengthen the composition of net capital of credit institutions to reflect the most recent international consensus on the matter, pursuant to the guidelines established by the Basel Committee on Banking Supervision (Basel III). The Resolution will become effective on January 1, 2013, except for the transition articles thereof, which stipulate the coming into force of certain provisions at a later stage.

The Bank's management estimates that the application of this Resolution shall not have significant effects on its capitalization ratio.

At December 31, 2012, the net capital structure of $27,069 incresed 9.79% from $24,654.8 in 2011 due to the reserves generated in the year for $2,841.6.

At December 31, 2011, the Bank raised the ratings of the following rating agencies:

Bank:

National scale (Caval)	Long term	Short term	Perspective
Fitch Ratings	AAA(mex)	F1+(mex)	Stable
Moody's	Aaa.mx	MX-1	Stable
Standard & Poor´s	mxAAA	mxA-1+	Stable

(20) Memorandum accounts-

The propriety trading and on behalf of third parties that the Bank and the Brokerage Firm had at December 31 2012 and 2011 are shown as follows.

(a) Securities repurchase/resell agreements by customers-

At December 31, 2012 and 2011, the securities repurchase/resell agreements by customers are analyzed as follows:

	2012		2011	
	Number of securities	Fair value	Number of securities	Fair value
BG91	39,123,365	$ 3,870	–	$ –
BPAG	7,518,790	752	–	–
BPAS	2,402,168	239	47,953,051	4,776
BPAT	587,151	59	115,004,655	11,480
CBBN	12,182,570	1,221	–	–
CBPC	300,000	30	2,810,546	282
CBUR	7,797,906	784	3,061,331	308
CTIM	653,476,670	6,441	128,739,755	1,265
IPAS	68,985,149	6,899	79,914,465	8,040
LBON	601,335,947	59,749	–	–
MBON	999,999,855	1,000	38,287,394	4,000
PRLV	1,606,547,222	1,603	3,151,891,522	3,122
LBON	–	–	199,105,461	19,788
UDIB	260,362	142	1,357,492	652
		$ 82,789		$ 53,713

(b) Securities lending transactions by customers-

At December 31, 2012 and 2011, the securities lending transaction on behalf of clients, are analyzed as follows:

	2012		2011	
	Number of securities	Fair value	Number of securities	Fair value
NAFTRAC	892,600	$ 39	891,000	$ 33
CEMEX CPO	229,000	3	994,400	7
GAP B	155,000	11	–	–
HOMEX *	64,200	2	–	–
ICH B	22,000	2	–	–
ELEKTRA *	–	–	20,000	28
MFRISCO A-1	–	–	108,000	5
Other shares	272,210	8	140,800	8
		$ 65		$ 81

(Continued)

(c) Collateral received in guarantee by customers-

The collateral represented by government bonds, private banking and on behalf of customers in guarantee for the Brokerage Firm, to December 31, 2012 and 2011, are analyzed below:

	2012		2011	
	Number of securities	**Fair value**	**Number of securities**	**Fair value**
Governments:				
BPAS	1,202,168	$ 120	24,816,228	$ 2,472
BPAT	587,151	59	63,823,265	6,371
CTIM	521,247,927	5,147	119,072,696	1,172
BPA 182	37,233,582	3,725	44,705,423	4,498
LBON	311,083,947	30,906	118,773,870	11,803
MBON	4,573,224	500	19,828,674	2,071
UDIB	260,362	142	1,172,841	563
BPAG	23,550,992	2,334	–	–
		42,933		28,950
Bank:				
CBBN	6,091,285	610	–	–
CBPC	300,000	30	2,810,546	282
		640		282
Private:				
CBUR	6,297,906	633	3,601,331	308
PRLV	1,606,547,222	1,603	3,151,891,552	3,122
		2,236		3,430
		$ 45,809		$ 32,662

(d) Transactions on behalf of third parties-

The funds managed by the Brokerage Firm for investing in various instruments on behalf of its customers are recorded in memorandum accounts. The resources from these operations at December 31, 2012 and 2011 are analyzed as follows:

Custody operations	**2012**	**2011**
Mutual funds	$ 33,876	33,956
Government securities	58,192	57,581
Shares and others	127,131	110,395
	$ 219,199	201,932

(Continued)

Collaterals delivered as guarantee on behalf of clients to fair value at December 31, 2012 and 2011, are analyzed as follows:

		2012	2011
Government securities	$	36,613	21,497
Banking securities		610	–
Fixed income debt securities		151	10
Shares and holding companies certificates		1,227	849
Mutual funds shares		194	156
Cash		168	95
Margen credits		17	-
	$	38,980	22,607

Income earned on assets under custody during the years ended December 31, 2012 and 2011 amounted to $56 and $57, respectively.

(e) ***Investments banking transactions on behalf of third parties (net)-***

As of December 31, 2012 and 2011 funds managed by the Group following customer instructions for investment in different instruments of the Mexican financial system are recorded in memorandum accounts and are analyzed as follows:

		2012	2011
Equities and others	$	1,067	4,042
Government securities		50,031	29,833
Mutual funds		30,463	28,006
Bank securities not issued by the Bank		2,896	2,053
	$	84,457	63,934

The amount of any funds invested in the Group's own instruments forms part of the liabilities included in the consolidated balance sheet.

(Continued)

Transactions for own behalf-

(f) Loan commitments -

Lines of credit:

At December 31, 2012 and 2011, the balance of lines of credit amounted to $349,443 and $333,738, respectively.

Letters of credit:

At December 31, 2012 and 2011, the Group has letters of credit for $6,812 and $4,267, respectively.

At December 31, 2012 and 2011, the provisions earmarked for credit letters amounts to $49 and $40, respectively, and are included in the allowance for loan losses.

(g) Assets in trust or under mandate-

The Group's trust activity, recorded in memorandum accounts as of December 31, 2012 and 2011, is analyzed as follows:

	2012	2011
Trust:		
Administrative	$ 121,131	122,662
Guarantee	4,991	4,394
Investment	1,061	887
	127,183	127,943
Mandates	28,906	26,833
	$ 156,089	154,776

Trust revenue accrued for the years ended December 31, 2012 and 2011 amounted $194 and $201, respectively and were recorded in the caption "Commission and fee income".

(Continued)

(h) Collaterals received and sold or pledge in guarantee by the entity-

Collaterals received by the Group and collaterals sold or delivered by the Group at December 31, 2012 and 2011 are analyzed below:

		2012	2011
Collaterals received by the entity:			
Repurchase / resell agreements:			
BPAS	$	–	5,337
IT BPAT		–	11,653
BPA 182		10,826	3,915
BONOS M		5,332	2,000
BPAG		4,219	–
BI CETES		11	358
LD BONDESD		19,125	13,322
CBIC		–	500
		39,513	37,085
Guarantees received for derivate operations		8	–
Other securities		23,352	23,866
Equity instruments		342	2
Total collateral received by the entity	$	63,215	60,953

Collaterals received and sold or pledged by the entity:		2012	2011
LD BONDESD	$	32,476	18,249
BONOS M		3,401	5,858
BPA 182		3,851	5,519
BI CETES		1,336	1,361
BPAT		–	12,980
BPAS		119	5,034
CBIC		–	500
PRLV		–	800
CBBN		609	–
CBUR		151	–
BPAG		2,520	–
UDIB		–	178
		44,463	50,479
Equity instruments		186	–
	$	44,649	50,479

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(i) Assets in custody or under management-

In this account, the Bank and the Mutual Fund Management records property and securities received in custody, guarantee or under management. As of December 31, 2012 and 2011, the assets in custody are analyzed as follows.

		2012	2011
Securities in custody:			
Securities	$	193	162
General		418	298
Investment		1,206	1,059
Securities management		9,525	9,525
Other		156	1,013
		11,498	12,057
Securities under management:			
Securities		185,039	175,849
Other		1,776	1,773
		186,815	177,622
Transactions with derivative financial instruments on behalf of third parties:			
Futures		362,633	426,816
Options		10	144
		362,643	426,960
	$	560,956	616,639

Income arising from securities in custody for the years ended December 31, 2012 and 2011 amounts to $64 and $65, respectively.

(Continúa)

(21) Additional information on operations and segments-

(a) Segment information-

The Group's operations are classified in the following segments: credit and services (acceptance of deposits, granting of loans, trusts and other income in subsidiaries), treasury and trading (securities, derivatives and currency transactions). For the year ended December 31, 2012 and 2011, income by segment is analyzed as follows:

	Credit and services	Trading and treasury	Others	Total
31 de diciembre de 2012				
Interest income, net	$ 9,625	1,038	272	10,935
Commissions and fee income, net, financial intermediation income and other income, net	4,844	686	1,508	7,038
Net operating revenues	14,469	1,724	1,780	17,973
Provision for loan losses	(1,359)	–	–	(1,359)
Administrative and promotional expenses	(9,691)	(538)	(1,151)	(11,380)
Income before current and deferred income taxes	$ 3,419	1,186	629	5,234
Equity in the results of operations of subsidiary and associated companies, net				1
Current and deferred income taxes, net				(715)
Net income				$ 4,520

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	Credit and services	Trading and treasury	Others	Total
December 31, 2011				
Interest income, net	$ 9,206	397	318	9,921
Commissions and fee income, net, financial intermediation income and other income, net	4,591	823	1,254	6,668
Net operating revenues	13,797	1,220	1,572	16,589
Provision for loan losses	(2,047)	–	–	(2,047)
Administrative and promotional expenses	(9,327)	(234)	(991)	(10,552)
Income before current and deferred income taxes	$ 2,423	986	581	3,990
Equity in the results of operations of subsidiary and associated companies, net				2
Current and deferred income taxes, net				(850)
Net income				$ 3,142

(b) Financial margin-

For the years ended December 31, 2012 and 2011, the financial margin consists of the elements shown on the next page.

(Continued)

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Interest income:

Interest income for the years ended December 31, 2012 and 2011 is analyzed as follows:

	Credit and services	Trading and Treasury	Others	Total
December 31, 2012				
Cash and cash equivalents	$ −	787	−	787
Margin accounts	−	5	−	5
Investment securities	−	1,032	614	1,646
Securities under repurchase/resell agreements and transactions that represent secured borrowings	−	1,327	1,050	2,377
Current loan portfolio	12,011	−	−	12,011
Past due loan portfolio	31	−	−	31
Loan origination fees	329	−	−	329
Premiums collected	−	−	5	5
Fx valuation gain	−	34	2	36
	$ 12,371	3,185	1,671	17,227
December 31, 2011				
Cash and cash equivalents	$ −	787	−	787
Margin accounts	−	6	1	7
Investment securities	−	555	636	1,191
Securities under repurchase/resell agreements and transactions that represent secured borrowings	−	1,158	1,040	2,198
Current loan portfolio	11,292	−	−	11,292
Past due loan portfolio	27	−	−	27
Loan origination fees	313	−	−	313
Premiums collected	−	−	6	6
Fx valuation gain	−	20	−	20
	$ 11,632	2,526	1,683	15,841

(Continued)

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An analysis of the loan portfolio interest and commission income by type of loan is shown below, for the years ended December 31, 2012 and 2011:

	2012		2011	
	Current	**Past due**	**Current**	**Past due**
Commercial	$ 2,932	15	2,784	10
Financial institutions	185	2	196	3
Retail	3,596	14	3,090	11
Residential mortgages	5,357	–	5,020	3
Government entities	270	–	515	–
	$ 12,340	31	11,605	27
	$ 12,371		11,632	

For the years ended December 31, 2012 and 2011, within total interest income from commercial, consumer and residential loans commissions are recorded that represent a yield adjustment of 0.17%, 0.58% and 0.20% for 2012, as well as 0.20%, 1.17% and 0.24% for 2011, respectively.

For the years ended December 31, 2012 and 2011, total interest income includes interest denominated in foreign currency amounting to 25 and 22 million dollars, respectively.

Loan origination fees for the years ended December 31, 2012 and 2011 are comprised as shown below:

	2012	**2011**
Commercial	$ 97	104
Consumer	135	112
Residential mortgages	97	97
	$ 329	313

Amortization periods for the fees are from 12 to 204 months.

(Continued)

Interest expense:

Interest expense for the years ended December 31, 2012 and 2011 is analyzed a continuación:

	Credit and services	**Trading and Treasury**	**Others**	**Total**
December 31, 2012				
Demand deposits	$ (648)	−	−	(648)
Time deposits	(1,876)	−	−	(1,876)
Bank bonds	−	(351)	−	(351)
Bank and other loans	−	(268)	−	(268)
Securities under repurchase/resell agreements −	−	(1,516)	(1,394)	(2,910)
Premium paid	−	−	(2)	(2)
Valuation loss	−	(11)	(3)	(14)
Residential mortgages loan origination fees and expenses	(223)	−	−	(223)
	$ (2,747)	(2,146)	(1,399)	(6,292)
	====	====	====	====
December 31, 2011				
Demand deposits	$ (528)	−	−	(528)
Time deposits	(1,800)	−	−	(1,800)
Bank bonds	−	(351)	−	(351)
Bank and other loans	−	(264)	−	(264)
Securities under repurchase/resell agreements −	−	(1,509)	(1,363)	(2,872)
Premium paid	−	−	(2)	(2)
Valuation loss	−	(5)	−	(5)
Residential mortgages loan origination fees and expenses	(98)	−	−	(98)
	$ (2,426)	(2,129)	(1,365)	(5,920)
	====	===	====	=====

(Continued)

For the years ended December 31, 2012 and 2011, total interest expense includes interest denominated in foreign currency amounting to 4 and 3 million dollars, respectively.

(c) ***Commission and fee income-***

For the years ended December 31, 2012 and 2011, commission and fee income are analyzed as follows:

		2012	2011
Letters of credit with no refinancing	$	60	45
Account management		456	164
Trust activities		194	201
Fund transfers		65	59
Electronic banking services		230	110
Credit transactions		921	491
Services administration		792	792
Other fees and commissions collected		983	1,377
	$	3,701	3,239

(d) ***Financial intermediation income-***

For the years ended December 31, 2012 and 2011, financial intermediation income is analyzed as follows:

		2012	2011
Unrealized:			
Investment securities	$	(127)	47
Derivatives:			
Trading		(19)	52
Hedging		(10)	2
Securities available for sale in hedge		25	2
Foreign currencies and precious metals		411	(124)
		280	(21)
Realized:			
Investment securities		797	526
Derivatives:			
Trading		(883)	(169)
Hedging		–	-
Foreign currencies and precious metals		549	573
		463	930
	$	743	909

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(e) Other operating income-

For the years ended December 31, 2012 and 2011, other operating income is analyzed as follows:

	2012	**2011**
Recoveries of loan portfolio	$ 576	502
Dividends	48	20
Donations	(12)	(16)
Income on sale of foreclosed assets	145	291
Income from securitization	42	23
Taxation	140	118
Income from the purchase of securities in trust (note 10)	358	400
Other recoveries	52	285
Income from credit insurance	750	680
Transfer of securities	68	102
Loans to employees	80	76
Food stamps	170	160
Write-offs and losses	(227)	(413)
Others	851	729
	$ 3,041	2,957

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(f) ***Financial ratios-***

The following are some key quarterly financial ratios as of and for the years ended December 31, 2012 and 2011:

	2012			
	Fourth	**Third**	**Second**	**First**
Past due loan portfolio / Total loan portfolio	2.3%	2.6%	2.6%	2.5%
Allowance for loan losses / Past due loan portfolio	125.8%	102.9%	109.3%	117.1%
Operating efficiency (*administrative and promotional expenses / average total assets*)	5.4%	5.6%	5.5%	5.4%
ROE (*annualized net income for the quarter / average stockholders' equity*)	10.0%	16.7%	16.0%	15.3%
ROA (*annualized net income for the quarter / average total assets*)	1.5%	2.5%	2.4%	2.4%
Net capital / Assets at credit risk	20.24%	22.21%	21.73%	22.02%
Net capital / Assets at credit, market and operational	15.77%	17.18%	16.74%	16.63%
Liquidity (*liquid assets / liquid liabilities*)	99.5%	102.9%	88.2%	79.9%
Financial margin after allowance for loan losses / Average earning assets	4.7%	5.5%	5.5%	4.8%

	2011			
	Fourth	**Third**	**Second**	**First**
Past due loan portfolio / Total loan portfolio	2.7%	2.6%	2.9%	3.3%
Allowance for loan losses / Past due loan portfolio	115.0%	116.6%	113.2%	105.6%
Operating efficiency (*administrative and promotional expenses / average total assets*)	5.9%	5.4%	5.0%	5.0%
ROE (*annualized net income for the quarter / average stockholders' equity*)	11.0%	10.0%	8.3%	12.1%
ROA (*annualized net income for the quarter / average total assets*)	1.7%	1.5%	1.3%	1.9%
Net capital / Assets at credit risk	20.80%	21.70%	22.51%	23.71%
Net capital / Assets at credit, market and operational	15.71%	16.30%	16.86%	17.44%
Liquidity (*liquid assets / liquid liabilities*)	108.1%	103.7%	95.2%	84.9%
Financial margin after allowance for loan losses / Average earning assets	4.4%	4.2%	4.9%	4.7%

(Continued)

(22) Commitments and contingencies-

(a) Leases-

Leases provide for periodic rental adjustments based on changes in various economic factors. Total rental expense for the years ended December 31, 2012 and 2011, amounted to $838 and $708, respectively.

(b) Litigation-

The Group is involved in a number of lawsuits and claims arising in the normal course of business. It is not expected that the final outcome of these matters will have a significant adverse effect on the Group's financial position and results of operations. Certain cases are covered by an indemnity clause in the agreement with the IPAB.

(c) Responsibility agreement-

The Holding Company has entered into an agreement with its subsidiaries, whereby it undertakes to be jointly and severally responsible for compliance with the obligations that according to the applicable provisions are inherent to the activities of each of the Group's financial entities. In addition, the Holding Company agrees to unlimited and several responsibility for the losses of each and every one of these financial entities.

(Continued)

(23) Risk management (unaudited)-

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

The ultimate purpose of the Group is to generate shareholder value by maintaining the organization's stability and creditworthiness. Sound financial management increases the profitability of performing assets, helps maintain appropriate liquidity levels and provides control over exposure to losses.

In compliance with the provisions issued by the Banking Commission and the guidelines established by BNS, the Group continues to implement a series of actions designed to strengthen the comprehensive risk management function and thus identify and measure, monitor, transfer and control the credit, liquidity and market risk exposures and other risks arising from day-to-day transactions, including compliance with regulatory requirements and other legal matters.

The Board of Directors is responsible for establishing the Group's risk management policies as well as the overall risk level to which the Group is exposed and for approving related policies and procedures, at least once a year. The Board of Directors is also responsible for establishing the structure of limits for the various types or risks; such limits may be based on value-at-risk, volumetric or notional amounts and are established in relation to the Group's stockholders' equity. Furthermore, pursuant to the policies in force, the Board of Directors entrusts the implementation of the procedures designed to measure, manage and control risks to the Risk Management Committee and the Comprehensive Risk Management Unit (UAIR) .

In turn, the Risk Management Committee assigns responsibility for monitoring the compliance with the policies and procedures for market and liquidity risks to the Asset-Liability and Risk Committee (CAPA). Furthermore, the UAIR has policies in place for reporting and correcting any deviations from the specified limits. Such deviations must be reported to the Risk Management Committee and the Board of Directors.

(Continued)

(a) Market risk-

The purpose of the market risk management function is to identify, measure, monitor, and control risks arising from interest and exchange rate and market price fluctuations and other risk factors that are present in the money, foreign exchange, capital and derivative instruments markets, in which the Group maintains positions for its own account.

The CAPA performs weekly reviews of the various activities that represent market risks for the Group, focusing principally on the management of asset and liability positions reported in the balance sheet in connection with credit, funding and investing, as well as securities trading activities.

Derivative instruments are valuable risk management tools for the Group and its customers. The Group uses derivative instruments to control the market risk originating from its funding and investing activities, as well as to reduce funding-related costs. To control interest rate risks inherent in fixed-rate loans, the Group enters into interest rate (swaps), forward and futures contracts. Forward foreign exchange contracts are also used to control exchange rate risks. The Group trades derivative instruments on behalf of its customers and also maintains positions for its own account.

Market risk management in securities trading activities- The Group's securities trading activities are directed primarily to providing service to its customers. Accordingly, to meet its customers' demands, the Group maintains positions in financial instruments and holds an inventory of financial instruments for trading purposes. Access to market liquidity is available through offers to buy from and sell to other intermediaries. Even though these two activities represent transactions the Group carries out for its own account, they are essential to allow customers access to markets and financial instruments at competitive prices. In addition, the Group has treasury positions invested in the money and capital markets so that surplus cash generates the maximum yields in the Group's income. In general, trading positions are taken in liquid markets, which avoid high costs at the time such positions are liquidated. The trading securities portfolio (fixed and variable income and derivative instruments) is marked to market on a daily basis.

The Group applies a series of techniques designed to assess and control the market risks to which it is exposed in the normal course of its activities. The Management Committees both of the Group in Mexico and of BNS in Toronto and the Board of Directors authorize individual limit structures for each of the financial instruments traded in the markets and by business unit. The structure of limits considers primarily volumetric or notional amounts of value at risk, "stop loss", sensitivity, concentration, "stress", term, marketability, among others.

The value at risk (VaR) is an estimate of the potential loss of value within a specific level of statistical confidence that might arise from maintaining a specific position during a specific period of time (the holding period) under normal market conditions. VaR is calculated daily on all of the Group's risk-exposed financial instruments and portfolios using the Risk Watch methodology developed by Algorithmics.

VaR is calculated using the historical simulation method (with a 300-working day time span). In order to conform to the measurement methodologies used by BNS, the Group calculates VaR considering a 99% confidence level and a 1 day ("holding period").

Since VaR is used to estimate potential losses under normal market conditions, ("stress testing") is performed quarterly assuming extreme conditions, with the purpose of determining risk exposure under unusually large market price fluctuations (volatility changes and the correlation among risk factors). The Risk Committee has approved the stress limits.

Furthermore, back testing is performed on a monthly basis to compare gains and losses in the value at risk observed and, consequently, calibrate the models used. The efficiency level of the model is based on the focus set by Bank for International Settlements (BIS).

For the valuation and risk models, updated prices, interest rate curves and other risk factors provided by the price vendor Valuación Operativa y Referencias de Mercado, S. A. de C. V., (Valmer) are referenced. The criteria adopted by said Price Vendor are determined based on technical and statistical aspects, and on valuation models authorized by the Banking Commission.

The average values of the notional and VaR of the market risk exposure of the trading portfolio during the period October to December 2012, are those of the next page.

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Product		Position			VaR	
		Average	Maximum	Limit	Average	Limit
Group	$	166,653	203,920		9.1	52.5
Pesos:						
Money market		52,640	77,475	105,000		
Interest rate futures[2]		93,845	110,284	207,000		
Forwards of CETES [3]		5,294	9,900	10,000	0.001	
Caps & Floors		1,667	2,648	2,500	0.1	
Interest rate market and rate derivates[4]	$	153,446	200,307	322,500	9.0	50.0
IPC Derivates[5]	$	479	1,061	2,880		
Share portfolio	$	57	107	206	2.4	13.0

Product	Position			VaR	
	Average	Maximum	Limit	Average	Limit
Dollars:					
Forwards and foreing futures [6] [7] [8]	968	1,614.0	4,020	2.62	
Foreign exchange [6] [7]	0.9	12.0	55	0.54	
Foreign currency options [7]	47	75.0	800	1.39	
Foreign currency swaps [7]	65	66.0	600	0.02	
Forwards of precious metals [7]	4.2	10.2	50	1.84	
Options of precious metals [7]	-	-	200	-	
Spot of precious metals [7]	3.9	5.1	10	1.47	
Foreign exchange and foreign currency derivatives and precious metals[4]	1,089	1,782.3	5,735	7.88	16.5

(1) VaR expressed in millions of pesos.
(2) Position and limit on the number of contracts traded in MexDer.
(3) Special position of the treasury.
(4) Observed period (holding period) of the Foreign Exchange VaR, Capital and Interest rates and limits of 1 day.
(5) Includes IPC futures and options of the capitals derivative table, its VaR is included in the Warrants portfolio. the 1 day average Warrant VaR is MXN 2.44 MM that is computed with the Capitals VaR.
(6) The Forwards position is a gross position (long + short) and Foreign Exchange position is net (long - short).
(7) Figures expressed in millions of dollars.
(8) Include the net position of foreign exchange forwards from the Treasury.

(Continued)

Below are the positions in number of contracts traded (unaudited information).

MexDer derivatives market

Underlying	Average	Maximum	Limit
US Dollar futures	–	–	5,000
Interest rate futures	72,922	103,839	1,073,550
IPC futures	–	–	750
Total futures[4]	72,922	103,839	1,079,300

[4] The relevant position and limit are stated in number of contracts traded in MexDer.

The Brokerage Firm issued an average of warrants exchange index (CPI) and stock exchanges for $8,534.4 with a maximum of $9,975.9.

During 2012, the Group's average global VaR was $9.1 and the global VaR at December 31, 2012 was $13.0.

As an example, the annual average value at risk for the Group is $9.1, which means that under normal conditions and during a holding period of 1 day there is a 1% probability of losing more than such amount, under the assumption that the behavior over the past 300 trading days is representative for estimating the loss.

Since VaR measure serve for estimating potential losses under normal market conditions, “stress-testing” is performed on a monthly basis to determine the risk exposure based on large unusual fluctuations in market prices. The Risk Management Committee has approved stress limits.

“Stress testing” as of December 31, 2012 was $714.3 million, which compared to the $1,500 million limit is inside acceptable parameters. The stress limit is based on the Bank’s stockholders’ equity and is updated on a monthly basis. The hypothetical scenarios used for stress testing are the crises of 94 and 98.

For achieving an effective management of risks, “Backtesting” takes place on a monthly basis where losses and gains actually incurred and obtained are compared with the 1 day VaR calculation and thus models are re-calibrated if required. The model's efficiency level is based on the approach provided by the Bank for International Settlements (BIS).

As for back testing, during the fourth quarter Oct-Dec/12, there were excesses in the P&L with regard to the VaR of Capitals, Global FX and Global Brokerage Firm owing to the high volatility in the interest rate, capitals and currency markets in Q4/2012.

In cases where excesses to the established limits occur, there are policies and procedures in place for immediately reporting and correcting these excesses. Furthermore, these excesses are informed to CAPA every two months and monthly to the Risk Committee and the Board of Directors.

Market risk management in lending and borrowing activities- The interest rate risk originating from lending and borrowing activities is assessed weekly through analysis of the interest rate gaps derived from funding and investing activities. This weekly supervision function is supported by a risk assessment process, which includes simulation models and sensitivity analysis.

Simulation models help the Group assess interest rate risks dynamically. These models are applied mainly to the balance sheet position and consider hypotheses with respect to growth, mix of new activities, interest rate fluctuations, maturities and other related factors.

Sensitivities

Qualitative information on sensitivities

The Group has a specialized Trading Risk Analysis area which maintains continuous and methodical supervision of valuation, risk measurement and sensitivity analysis processes. This area is in constant contact with those responsible for the various markets.

Daily, the risk area calculates the market risk sensitivities for each portfolio to which the entity is exposed. During the quarter no changes were made to the assumptions, methods or parameters used for this analysis.

Below is a description of the methods, parameters and assumptions used for the portfolio of stock, currencies, interest rates and derivative products.

(Continued)

Interest rate portfolio

Sensitivity measures for fixed-income instruments (bonds) are based on estimating the behavior of the portfolio's value when faced by a change in the market interest rates. In referring to market interest rates, reference is made to the yield curve (not zero-coupon curves) because it is the yield curves which are listed on the market and better explain the behavior of gain and losses, P&L.

The sensitivities of the fixed-income instrument portfolio are based on the durations and convexities depending on the type of instrument. In any event, 2 types of measurements are calculated; i) the expected change in the value of the portfolio when faced with a 1 basis point (0.01%) change in the yield curve; and ii) the expected change in the value of the portfolio when faced with a 100 basis points (1%) change in the yield curve. For the purposes of this disclosure, only a 1 basis point change is reported.

The values estimated based on the duration and convexity methodology are a good approximation of the values obtained using the complete or "full-valuation" methodology.

For floating rate bonds two types of sensitivities are calculated: the free risk rate and the “spread” sensitivity.

In the case of zero coupon bonds, the calculation of the sensitivity of non-coupon instruments, uses their term to maturity as the duration, expressed in years.

Interest rate derivatives

The following is a brief explanation of sensitivity modeling for the Group interest rate derivatives.

TIIE and CETES futures: These types of derivative instruments are modeled in order to calculate sensitivities for zero coupon rate futures and, therefore, their duration is considered as part of estimating the sensitivity.

M bond futures: The sensitivity considers the duration and convexity of the bonds deliverable in connection with these contracts.

(Continued)

Interest rate swaps: For the purposes of determining the sensitivity of changes in the yield curve of TIIE swaps, a 1 basis point change is made in each of the relevant point on the yield curve, in addition to a 1 basis point and 100 basis points change (in parallel), valuing the portfolio using the various curves and computing the change in the value of the portfolio with each of these changes. In this case, the 1 basis point sensitivity is reported.

Quantitative information about interest rate sensitivities

The following table shows the sensitivity to 28 September and 31 December 2012:

Sensitivity 1pb	**September 2012**	**December 2012**
Fixed rate	0.544	1.041
Adjustable rate	0.041	0.066
Subtotal interest rate	0.585	1.107
Futures	0.071	0.014
Swaps	0.061	(0.030)
Subtotal interest rate derivatives	0.132	(0.016)
Total	0.717	1.091

As of December 31, 2012, the Group's sensitivity of the interest rate portfolios is $1.091, denoting that for every basis point decrease in the interest rate, the group would generate a profit of $1.091. The increase in the sensitivity by $0.375 as compared to the past quarter is due to the increase in long positions of the portfolio of, Udibonos, Swaps, TIIE futures and futures of bond M.

Should the sensitivity scenario in the table above materialize, the losses would impact directly on the results of operations of the Group.

A table on the sensitivity evolution for interest rate and interest rate derivatives as the net effect of the portfolio, the daily total position for the October-December 2012 period is shown on the next page.

(Continued)

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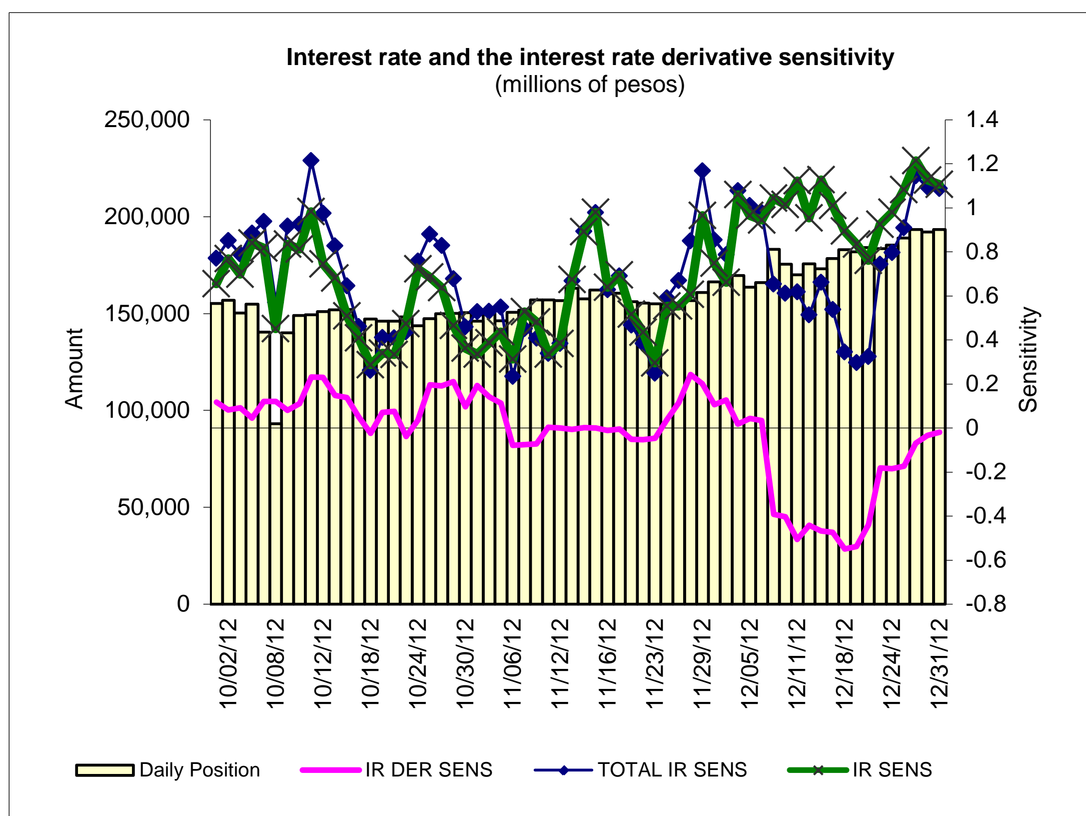

As shown in the chart, as of the quarter the Group's daily sensitivity of the Interest Rate and Interest Rate Derivatives portfolio was increased compare with the last quarter.

The table below shows the statistics for the fourth quarter 2012, maximum, minimum and average. On average, the sensitivity was $0.687. The interest rate and derivatives portfolio hedged the long positions during this period.

Sensitivities 1 bp	Average	Maximum	Minimum
Interest rate	0.711	1.214	0.287
Rate of derivatives	(0.024)	0.243	(0.549)
Total	0.687	1.457	(0.262)

(Continued)

Stock and IPC index derivatives portfolio

Stock

Operations are performed through the Brokerage Firm and the Bank. For purposes of the stock position, the sensitivity is obtained by calculating the issued delta within the portfolio. delta is defined as the change in the portfolio's value when the underlying changes 1%.

Capital derivatives

Through its Brokerage Firm, the Group participates in stock derivative transactions using IPC futures, IPC index futures and options listed on the Mexican Derivatives Exchange, MexDer. Sensitivity is calculated using the Delta. This portfolio has limits expressed in notional terms. In the Over the Counter or OTC market the Brokerage Firm participates with IPC index Warrants and IPC index Options.

For futures, the calculation of the sensitivity is the Delta, defined as the change of value of a derivative with respect to changes in the underlying. Furthermore, Rho is defined as the sensitivity before changes in the interest rate. In the case of futures contracts, this sensitivity may be estimated based on the available market information. The Bank defines Rho as the change in the portfolio's value before a change of 100 basis points (parallel) in the reference interest rates.

In the case of non-linear products such as warrants and options, delta and the so called "Greeks" are deemed a sensitivity measures. The calculation of sensitivities is based on the valuation model of options over futures, known as Black's 1976 option pricing formula.

Delta risk is defined as the change in value of an option before a change of a predetermined magnitude in the value of the underlying (for example 1%). It is calculated by valuing the option with different underlying levels (one original and one with a +1% shock), holding all other parameters constant.

Gamma, is supplementary to the delta risk and is another sensitivity measure of the value of an option with respect to the value of an underlying. Gamma measures the rate of change of the delta before a change in the level of the underlying, is analogous to the calculation of the delta, and may be interpreted analytically as the second partial derivative of the Black Scholes function with respect to the underlying.

(Continued)

Rho: is the sensitivity measure of an options portfolio to changes in interest rates. Mathematically speaking, Rho is the first partial derivative of the Black Scholes function with respect to interest rates. Rho is defined as the change in value of an options portfolio before an increase of 100 base points (+1%) in interest rates. Overall, the sensitivity of an options portfolio to the interest rate is less compared to the sensitivity of the price of the underlying (delta) or of the implied volatilities (vega).

Theta: is the sensitivity measure of an options portfolio that indicates the change in the value of a portfolio with the passage of time. Theta is defined as the change in the value of a derivative product with the passage of time. Theta is calculated solely for informative purposes and for gain/loss analyses being that it does not actually represents a market risk but a concrete, predictable and quantifiable event.

Vega: is the name of the sensitivity measure of the value of an options portfolio when faced by changes in the market volatilities of the underlying. In general, a long position in options benefits from an increase in the volatility of an underlying and a short position has the opposite trend, except for certain exceptions as is the case of binary options.

Dividend Risk. The valuation of options on indices or stock implies a known continuous compound rate. However, dividends are an estimate and, therefore, an unknown variable, representing a risk factor for valuation purposes and the resulting P&L analysis of transactions with options.

There is no Greek letter assigned to the sensitivity of dividend risk and, in the case of options on indices and stock at the Group, the measure is made by increasing the dividend rate 1% (i.e. from 1% to 1.01%).

(Continued)

Sensitivities for shares portfolio and IPC derivatives.

The following table shows the sensitivity to September 28 and December 31, 2012:

	September 2012	December 2012
Shares	0.164	0.676
Subtotal	0.164	0.676
IPC futures	0.000	0.000
IPC options	0.000	0.000
Warrants	(0.001)	(0.022)
Subtotal	(0.001)	(0.022)
Total	0.163	0.654

During the quarter, the board of Capital continued with its strategy of conducting intraday transactions. Compared whit the preceding quarter, it recorder an increase in the position, the most relevant are EWZ* (Brazilian index), AMX L (Telecommunications), FCX* (Mining).

As to the IPC index position, the Brokerage Firm has a hedge strategy for new issues of Warrants and arbitrating between the capitals market and the IPC index futures.

Should the sensitivity scenario of the above table materialize, the losses would directly impact the Group's results of operations.

The graph of the next page shows the daily evolution of the sensitivity for the stock portfolio. Also, it shows the daily position of the stock portfolio.

(Continued)

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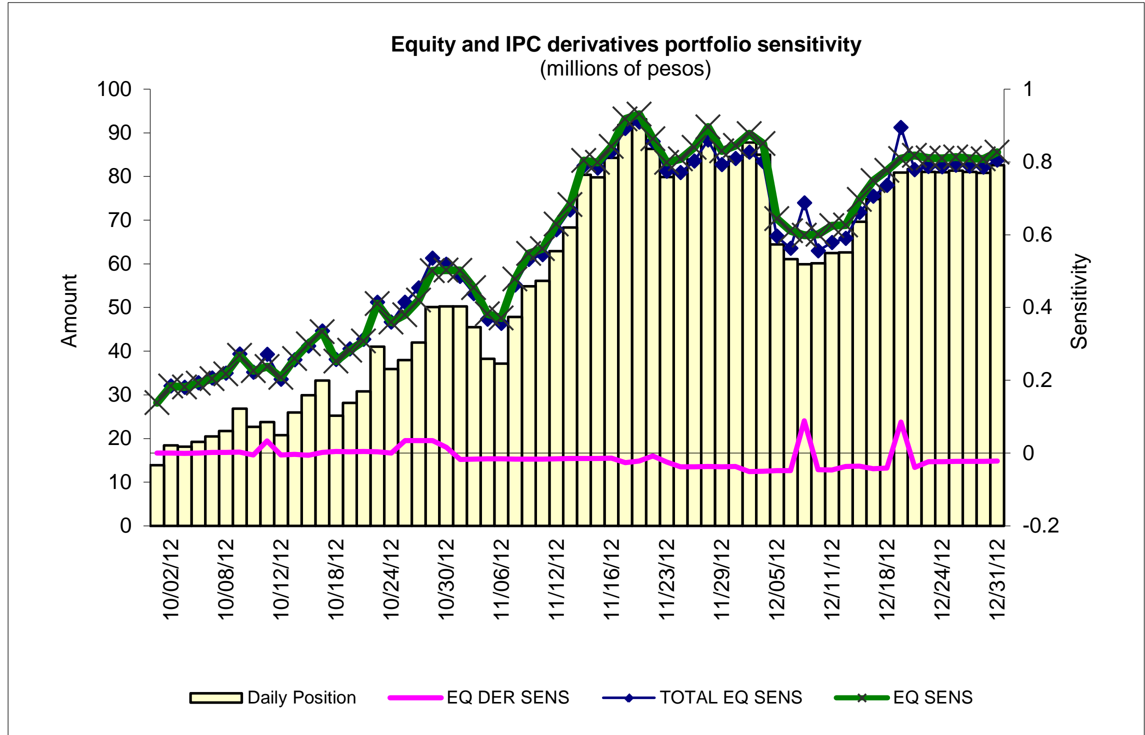

The Group's Capitals portfolio comprises stocks and a position in the IPC index portfolio. The sensitivity is positive and for the fourth quarter of 2012 it averaged $0.557. During the quarter, the sensitivity and stock position decreased both at the Brokerage Firm and the Bank.

Sensitivities	Average	Maximum	Minimum
Shares	$ 0.569	0.931	0.139
IPC Derivatives	(0.012)	0.089	(0.051)
Total	$ 0.557	1.020	0.088

(Continued)

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The following table shows sensitivity measures for non-linear instruments for December 31, 2012.

Sensitivities for warrants and IPC options, "Greeks".

Greeks	Delta	Gamma	Vega	Theta	Rho
Warrants	(68.838)	0.768	0.365	(0.011)	0.178
IPC options / OTC options	23.341	(11.468)	0.534	(0.021)	(0.082)
IPC futures	2.190	0.000	0.000	0.000	0.000
Naftracs / shares	47.423	0.000	0.000	0.000	0.000
Total	4.116	(10.700)	0.899	(0.032)	0.096

Below is the average, maximum, and minimum of the sensitivities for warrants and IPC options:

	Delta	Gamma	Rho	Vega
Minimum	0.194	0.448	0.151	1.130
Maximum	49.453	18.382	0.558	3.147
Average	13.099	7.349	0.391	1.952

Foreign currency portfolio and foreign currency derivatives

Foreign currency

The portfolio consists of various currencies traded by the Bank through the foreign exchange desk for trading purposes. The sensitivity is calculated as the delta of currency as the change in the portfolio value as a result of a change by 1% in the value of the underlying.

Foreign currency derivatives

Currency Forwards and Futures. This portfolio is in the Bank and the sensitivity to changes in interest rate is calculated for each currency, as the result on the present value for a parallel change by one (1) basis point throughout the respective yield curves, with all other factors remaining unchanged. Additionally, a non-parallel change is also applied to the yield curves for time gaps, all other factors remaining unchanged.

Foreign currency options: On exchange rate options, for the calculation of sensitivities those known by Greek letters, delta, gamma, vega, theta and rho are applied.

(Continued)

CCIRS (Cross Currency Interest Rate Swaps): In order to determine the sensitivity to changes in the yield curve, a change by one (1) basis point is made throughout the respective yield curves, valuing the portfolio with the different curves and calculating the change in the portfolio value for each of such changes. An analysis is also performed in parallel with a one hundred basis point change. Additionally, a non-parallel one (1) basis point change is made to the yield curves for time gaps, with all other factors remaining unchanged. For purposes of this report, only the 1 basis point sensitivity is presented.

Sensitivities for foreign currency portfolio and foreign currency derivatives

Below are the sensitivities as of September 28 and December 31, 2012:

Exchange rate	September 2012	December 2012
USD	(0.004)	(0.049)
CAD	0.000	0.065
EUR	(0.022)	0.111
Others	0.039	0.037
Subtotal	0.013	0.164
Forwards and DEUA futures	0.00009	(0.00203)
OTC options of MXN/USD	0.00000	(0.00031)
Swaps	(0.00013)	(0.00011)
Subtotal	(0.00004)	(0.0024)
Total	0.013	0.159

During the fourth quarter of 2012 the exchange rate sensitivity increased to $0.162. Forwards and currency option position was increased. The sensitivity of CCIRS was much reduced. Currently, the Bank participates in the OTC market for peso-dollar exchange rate options for hedging purposes and to serve its customers. Exchange desks (spot/forward) do not record material exposures

Should the sensitivity scenario of the above table materialize, the losses would directly impact the Bank’s results of operations.

(Continued)

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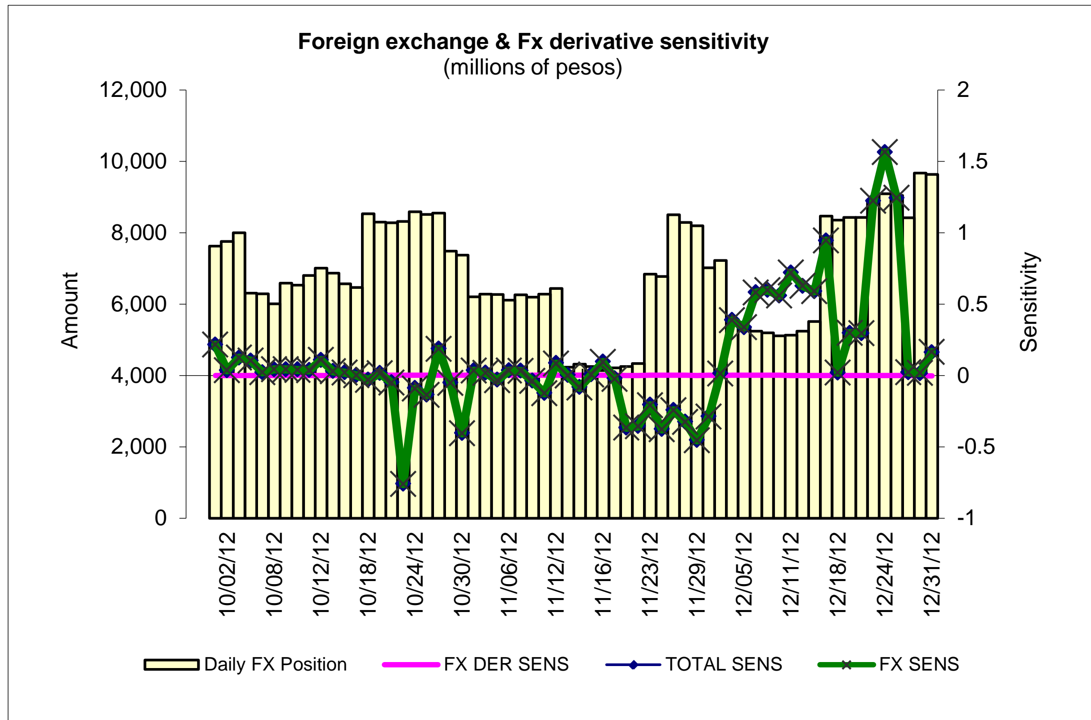
Next is the daily evolution of the sensitivities for this portfolio:



The currency portfolio position increased as a result of the increase in the forward and options position.

On average, the quarterly sensitivity of the currency and currency derivatives portfolio was MXN 0.117 MM.

Sensitivities	Average	Maximum	Minimum
Currency	0.115	1.565	(0.760)
Currency derivatives	0.002	0.003	0.003
Total	0.117	1.568	(0.757)

(Continued)

Sensitivities for pesos-dollar currency options, “greeks”.

Below is the position and the sensitivities of the currency options portfolio at December 31, 2012:

Greeks	Delta	Gamma	Vega	Theta	Rho
Exchange rate options MXN/USD	0.4218	(0.0326)	(0.9537)	0.0026	0.0259

Market risk management in available-for-sale securities-

At December 31, 2011, the position of the Bank's available-for-sale securities amounts to $6,557.2. Available-for-sale securities are considered part of the Bank's structural position and reprising gaps, economic value sensitivity and margin sensitivity to interest rate are considered in order to measure their risk.

At year-end, December 2011, the Brokerage Firm’s position of available-for-sale securities amounted to $469.3. Available-for-sale securities are considered within the structural position of the Brokerage Firm.

(Continued)

Sensitivities for available-for-sale and held-to-maturity securities –

At December 31, 2012, the sensitivity of investment securities classified as available-for-sale and held-to-maturity account for 0.03% and 0.05,% respectively, of the book value for the Bank whereas in the case of the Brokerage Firm, the sensitivity corresponds to 0.7% of the book value for available-for-sale securities. Sensitivity analysis was performed for all non-impaired securities.

Bank		**Available-for-sales**	**To Maturity**
Exposition	$	24,283.2	2,063.2
Sensitivities ($)		4.85	1.85
Sensitivities (%)		0.02%	0.09%

Brokerage Firm		
Available-for-sale securities	$	599.8
Sensitivities ($)		0.30
Sensitivities (%)		0.6%

(b) Liquidity risk-

The Group's liquidity risks result from funding, borrowing and securities trading transactions, such as demand deposits, maturities of time deposits, drawing against credit lines, settlement of transactions involving securities, derivative instruments, and operating expenses. The liquidity risk is reduced to the extent that the Group is able to obtain funds from alternative financing sources at an acceptable cost.

Among the factors that are implicit in the strategy applied to liquidity risk management are assessing and anticipating commitments payable in cash, controlling asset and liability maturity gaps, diversifying sources of funding, establishing prudent limits and assuring immediate access to liquid assets.

(Continued)

Liquidity risk is monitored and controlled aggregately by currency through cumulative liquidity gaps and minimum requirements of liquid assets. Below is the average exposure of cumulative 2 week gaps and the Bank's average liquid assets during the last quarter of 2012 and 2011:

Description		2012	2011
Two-week accumulated gap (Mexican pesos + UDIs)	$	(9,609)	(6,372)
Liquid assets		5,073	5,193

The cumulative two-week gap reflects the Bank's cash commitment during such a period and Liquid Assets shall serve as funds for fulfilling such commitment in case the Bank has no access to other sources of funding.

Liquidity gaps for investment securities

The Liquidity Risk in Investment Securities arises from the difficulty or impossibility of carrying out transactions with the securities giving rise to unusual discounts for their sale. Information is presented concerning the corresponding maturities at the December 2012 close for the Bank:

Maturity (years)		Held to maturity	Available for sale	Trading	Total for maturity period	Concentration
December 2012						
0.5	$	–	2,968	5,428	8,396	21%
1		–	49	(25)	24	–
2		–	2,300	702	3,002	7%
3		767	18,456	6,494	25,717	63%
4		1,296	–	1,448	2,744	7%
>=5		–	–	49	49	–
Maturity		–	510	61	571	2%
	$	2,063	24,283	14,157	40,503	100%
Concentration		5%	60%	35%	100%	

Trading includes value date sales.

Bank information not considering consolidation effects of subsidiaries.

(Continued)

The investment securities to Brokerage Firm had the maturity line as follows:

Maturity (years)		Held to Maturity	Available for sale	Trading	Total for maturity period	Concentration
December 2012						
0.5	$	–	–	8,842	8,842	59%
1		–	–	1,933	1,933	13%
2		–	–	446	446	3%
3		–	138	1,740	1,878	13%
4		–	–	778	778	5%
Without maturity		–	462	547	1,009	7%
Total	$	–	600	14,286	14,886	100%

Derivative cash flows

Below are the periods where cash flows are expected to occur and affect results in cash flow hedge transactions at December 31, 2012:

Assets cash flows Date		Assets cash flows Amount	Liabilities cash flows Date		Liabilities cash flows Amount
03/12/2012	$	450	03/12/2012	$	50
05/12/2012		1,700	04/12/2012		30
06/12/2012		1,050	05/12/2012		660
07/12/2012		500	06/12/2012		870
11/12/2012		400	07/12/2012		600
13/12/2012		1,050	10/12/2012		1,000
14/12/2012		1,000	11/12/2012		300
27/12/2012		50	13/12/2012		1,100
			14/12/2012		100
			17/12/2012		300
			18/12/2012		650
			19/12/2012		400
			20/12/2012		400
			21/12/2012		1,420
			24/12/2012		300
			26/12/2012		680
			27/12/2012		450
			28/12/2012		50
Total	$	6,200	Total	$	9,360

(Continued)

(c) Credit risk-

Transactions with customers originate credit risk exposure, such exposure is recorded in the balance sheet and memorandum accounts. Exposure to credit risk recorded in the balance sheet consists primarily of loans granted, while that recorded in memorandum accounts includes guarantees issued, as well as any other financial instrument whereby credit is extended to a third party to favor of Group.

The Group has developed policies and procedures to manage its loan portfolio risk level and composition, with the purpose of quantifying and managing the loan portfolio-related credit risks and reducing the risk of loss resulting from a customer's failure to comply with the agreed terms.

Policies and procedures for granting, controlling and collecting loans, as well as evaluating and monitoring credit risk and the methods used to identify current or past due impaired commercial loans- The Group's credit risk management is based on the application of well-defined strategies to control this type of risk. Among these are the centralization of credit processes, the diversification of the portfolio, improved credit analysis, strict supervision and a credit risk-scoring model.

The Group has three different levels of credit authorizations: The Board of Directors, Credit Committee and the Credit Department. Each level is defined depending on the amount of the transaction, the type of borrower and the purpose for which the funds will be used.

The business areas prepare and structure the different proposals, which are analyzed and authorized by the Credit Department, or, if applicable, recommended to the corresponding authorization level, thus ensuring an appropriate separation between loan origination and the authorization of transactions.

The business areas also continually evaluate the financial situation of each customer, conducting an in-depth review and analysis of the inherent risk in each loan at least once a year. Should any impairment in a customer's financial situation be detected, the customer's grade is immediately reviewed. In this way, the Group identifies the changes that occur in the risk profile of each customer. Such reviews consider the overall credit risk, including derivative transactions and foreign exchange exposure. In the case of risks above the acceptable level, additional reviews are carried out more frequently, at least once a quarter.

(Continued)

Loan risk concentrations- The Group has implemented policies and procedures to maintain a sound and diversified portfolio with a prudent and controlled risk. Among such policies are the setting of credit risk exposure limits, considering business units, currency, term, sector, etc. The limits are submitted annually to the Board of Directors for approval and their behavior is monitored and reported to the Risk Committee on a monthly basis.

Methodology used to determine allowances for loan losses- The Group uses a credit risk classification system derived from the BNS methodology in order to identify the level of risk of loans as well as to ensure that the yields from each loan are proportionate to the risk assumed. This also includes systems and strategies to grant loans and monitor the loan portfolio. The Group also takes advantage of BNS experience in portfolio grading, estimating allowances and losses, adapted as appropriate to the laws and needs of the Mexican market.

This model considers the following risk factors: country risk, financial behavior, financial hedging, debtor management, overall strength (the customer's relation to the economic environment, competitiveness, strengths and weaknesses), account management, industry conditions and payment experience.

Such factors constitute an evaluation of the customer's risk profile and the result is obtained by applying an algorithm that considers such elements. This algorithm is the result of BNS experience, its statistical analysis and adaptation to the Mexican market.

The internal grading system (classified by "IG Codes"), uses eight grades considered to be acceptable (IG 98 to IG 77), five grades to reflect a higher than normal risk (IG 75 to IG 60) and four considered to be unacceptable (IG 40 to IG 20). A correlation has been established between the internal grading model and the levels of risk contained in article 126 and 127 of the General Provisions applicable to the Loan Portfolio Rating Methodology for Credit Institutions published in the Federal Official Gazette on December 2, 2005 (the Disposition).

(Continued)

Through official letter 141-4/31395/2008 dated November 11, 2008, the Banking Commission authorized the Bank to grade the commercial loan portfolio by using its internal grading methodology based on the Probability of Debtor Default, applicable to all of the Commercial Portfolio, except for the following segments: the special credit program referred to as Scotia Empresarial, which is graded by applying the internal model based on the debtor's creditworthiness, as well as loans made to Federal Entities and Municipalities, loans for Investment Projects with own repayment sources, loans extended to Trustees operating under Trusts and "structured" loan schemes with property security making it possible to assess the individual related risk and loans made to Financial Entities, which are individually graded in accordance with the methodologies specified in Articles 112, 114 and 115 of the Dispositions.

Other types of loans and related provisions have been graded in accordance with Articles 126, 127, 130 and 131 of said Provisions.

The chart below shows the risk levels of the internal model of loans credit rating applicable to Commercial loans:

Grade	IG Code
Excellent risk	98
Very good risk	95
Good risk	90
Satisfactory risk	87
High adequate risk	85
Medium adequate risk	83
Low adequate risk	80
Medium risk	77
High moderate risk	75
Medium moderate risk	73
Low moderate risk	70
Watch list	65
Special supervision	60
Sub-standard	40
High impairment	22
Doubtful recovery	21
Non-performing	20

(Continued)

Description of each risk level:

Excellent risk: Borrowers with the highest credit rating, outstanding financial structure and solid/consistent profitability. Their capacity for the timely repayment of debt is outstanding, which provides them with unrestricted access to the money and capital markets as well as to alternative financing sources. Management has sufficient experience and optimum performance. These borrowers are not vulnerable to changes in the environment of the country or of their economic sector.

Very good risk: Borrowers with a solid financial structure that generate sufficient funds and liquidity to cover short and long-term debts; however, they depend on the Bank to a greater extent than excellent risk borrowers. The management team is competent, with the capacity to easily overcome moderate setbacks. They operate in a stable or growing economic sector.

Good Risk: Borrowers with a good financial structure, with consistent earnings and reliable cash flow. Their capacity to cover and service the debt is good. The management team has shown that it is good, with adequate capabilities in critical areas. The characteristics of the economic sector and the country's economy are sound, without indications that may adversely affect them.

Satisfactory Risk: Borrowers with an adequate financial structure that can easily repay their loans in an effective manner. Although their earnings are consistent with the industry average, they are more susceptible to adverse economic conditions than borrowers in higher ratings. Management is competent and has the support of stockholders. The industry where they operate may be subject to cyclical trends.

High Adequate Risk: Borrowers who still have satisfactory ability to repay their loans and an adequate financial structure. However, although consistent, their earnings are slightly below industry average. The management team's capabilities to obtain profitable and efficient results are satisfactory. The industry where they operate may be subject to cyclical trends.

Medium Adequate Risk: Borrowers whose timely repayment of principal and interest thereon is still guaranteed. However, their earnings are currently below industry average, which suggests that their continued strength may be at risk. Management may be family-owned or professional and performance is fairly satisfactory, with management initiatives being supported by stockholders. The industry where they operate may be subject to cyclical trends.

Low Adequate Risk: Borrowers whose financial structure, profitability and current funding are generally adequate. Operating cash flows are at the break-even point and show adequate levels to cover the debt. However, earnings are below the industry average. Management may have problems in overcoming setbacks, but it is still considered adequate. The industry where they operate may be subject to cyclical trends or be affected by applicable regulations.

Medium Risk: Borrowers that can easily meet their loan commitments in the short-term but whose payments in the long-term are potentially uncertain, with growing leverage and lower debt capacity. Management meets the minimum risk criteria. The industry where they operate may be subject to cyclical trends or be affected by macroeconomic changes.

High Moderate Risk: Borrowers face a slight decrease in earnings, although they have good potential for successfully overcoming these difficulties. Operating cash flows are at the break-even point and suffice to timely meet their debt payments, but with a certain descending trend. Management shows mixed operating results and long-term prospects. The industry where they operate shows growth problems.

Medium Moderate Risk: Borrowers face growth problems or weak capitalization, have reasonable potential for successfully overcoming these difficulties, and they are currently meeting their payment obligations in a timely manner; however, their funds rarely come from alternative sources and therefore their sustained repayment capacity is doubtful. Management evidences certain weaknesses that make stockholders skeptical, to a certain degree, of their performance.

Low Moderate Risk: Borrowers whose financial structure shows clear signs of weakness that may adversely affect their capacity or willingness to meet their long-term payment obligations. They regularly use alternative funding sources, and payments are generally late. Management shows certain noteworthy weaknesses and share ownership may be concentrated in one single individual. The industry sector in which they operate is highly susceptible to changes in macroeconomic conditions.

Watch List: Borrowers whose financial structure is weak, the debt position is unbalanced and debt is overextended. They regularly require funding from non-routine sources, and repayment performance is weak. These borrowers meet the Bank’s minimum acceptable requirements. Management performance is poor. Borrowers are vulnerable to any business and/or industry problems.

(Continued)

Special Supervision: Borrowers who have cash flow and liquidity problems that may require funding from alternative sources to prevent defaulting on their loans. Urgent changes are required in how the business is managed and its direction in order to combat the deterioration, which probably can be corrected in the medium term. Both the country and industry environment are frail. These customers definitely have unacceptable risks.

Sub-standard: Borrowers whose future feasibility is uncertain unless there are changes in their business activities, market conditions and management. Customers in this category call for substantial reorganization. Repayment history is bad and their loans are currently past due. The industry in which they operate faces temporary problems.

High Impairment: Borrowers with clear financial problems that put at risk compliance with the service of their debt, are susceptible to bankruptcy proceedings, have defaulted on their payments and are highly dependent on alternative sources for meeting their loan repayment commitments. Management problems threaten the borrower's ability to continue as a going concern and so the impairment is deemed permanent. Viability of the industrial sector relies on structural changes.

Doubtful Recovery: Borrowers with permanent financial problems. Businesses in this category are likely to have ceased operating and so their payment performance is practically non-existent. Payments are up to one year past due and considered as doubtful recovery. Management is deficient and unreliable and the industry where they operate has been permanently affected.

Non-performing: Borrowers who have ceased making loan repayments and whose situation does not allow for restructuring. Management is ineffective or has shown clear signs of dishonesty. The industry where they operate faces permanent problems and so it is practically impossible to maintain the loan as a performing asset.

Exempt portfolio and methodology:

Part of the portfolio is exempt from grading. Examples are: Mexican government sovereign debt, highway loans guaranteed by the Mexican government, and IPAB loans not arising from portfolio sales. No allowances are required for this portfolio.

The Bank has implemented the CreditMetrics® methodology and adapted it to the conditions in Mexico. This methodology measures and controls the credit risk of the different segments of the loan portfolio.

(Continued)

Portfolios and segments to which the Credit Risk measurement methodology applies are: a) non-retail portfolio: corporate, commercial, scotia empresarial; federal government, states and municipalities; b) retail: mortgage, credit card, scotia line, personal loans; and c) non-traditional portfolio: money market and derivatives; d) Crédito Familiar.

- The methodology includes estimating expected and unexpected losses using measurements of the probability of the occurrence of credit events (transition matrices) including likelihood of non-compliance.
- Expected losses represent an average estimate of the impact of 12-month non-compliance.
- Unexpected loss is a dispersion measurement with respect to an expected loss.
- A level of confidence of 99.75% over a one-year period is used to determine unexpected losses *("Credit VaR").*
- The correlation between different economic sectors is used to measure the effect of the concentration in the commercial loan portfolio. Constant correlation assumptions consistent with international practices are made for the retail portfolio (credit card, Scotia line, personal and residential mortgage loans).
- Furthermore, stress testing is performed regularly as to both expected and unexpected losses.
- Crédito Familiar's exposure at end December 2012 is 3,138 and 3,079 average

Below are the expected and unexpected losses in nominal amounts as of December and the average of the last quarters of 2012 and 2011 (unaudited):

	2012		2011	
	Closing	**Average**	**Closing**	**Average**
Exposure[/1]	$ 201,558	190,091	183,066	174,860
Unexpected loss[/2]	10,557	16,095	16,245	15,556
Expected loss[/2]	2,269	2,974	2,384	2,397

[/1] *Include Crédito Familiar's exposure only 2012.*
/2Current loan portfolio.

Credit culture- To create and promote a credit culture, the Bank has permanent training programs for personnel involved in the loan origination and authorization processes. Among such programs is required advanced training in commercial banking practices that provides support tools for the analysis and evaluation of credit risks, as well as decision-making workshops.

Implementation of prudent credit criteria- In accordance with the *Prudent Credit Provisions*, the Group has established control measures to identify, measure and limit the taking of risks in a timely manner derived from the credit activity in its different phases, which are documented in the Credit Policies and Procedures Manual and are constantly reviewed and updated, as well as submitted for approval by the Board of Directors annually.

Credit risk in securities investments – Below is a summary of exposure, credit rating and concentration by risk level of Investment Securities at the December 2012 close:

Maturity (years)		Held to maturity	Available for sale	Trading	Total for risk type	Concentration
December 2012						
mxAAA	$	2,063	19,324	14,059	35,446	87%
mxAA		–	225	20	245	1%
mxA		–	1,937	14	1,951	5%
mxBBB		–	2,288	–	2,288	6%
Not rated		–	509	64	573	1%
	$	2,063	24,283	14,157	40,503	100%
Concentration		5%	60%	35%	100%	

Bank's information not considering consolidation effects with subsidiaries.

S&P Brokerage Firm		Held to Maturity	Available for sale	Trading Securities	Total for risk	Concentration
December 2012						
mxAAA	$	–	–	10,886	10,886	73%
mxAA		–	138	213	351	3%
mxA		–	–	2,398	2,398	16%
Without rating		–	462	789	1,251	8%
Total	$	–	600	14,286	14,886	100%
Concentration		–	4%	96%	100%	
Septiembre 2012						
mxAAA	$	–	–	9,860	9,860	71%
mxAA		–	167	235	402	3%
mxA		–	–	2,222	2,222	16%
Without rating		–	376	1,030	1,406	10%
Total	$	–	543	13,347	13,890	100%
Concentration		–	4%	96%	100%	

Credit risk in derivatives operations

Below is the maximum exposure and concentration for counterparty type at the end of December 2011:

Counterparty type	Exposure	%
Financial institutions	$ 24,066	99.3
Corporations	179	0.7
Total maximum exposure	$ 24,245	100

For the Brokerage Firm at December 31, 2012, counterparty risk on transactions with derivative financial instruments is 100% with financial institutions.

In the next page we present the credit rating of financial assets relating to derivatives with fixed-rate loans hedged through the fair value methodology at closing December 2012 and which have the following credit rating according to the Banking Commission's scale.

(Continued)

(MXP) Rating		December 2012 Amount	Total %
A1	$	2,804	48.3%
A2		1,541	26.5%
B1		1,295	22.3%
B2		89	1.5%
B3		63	1.1%
C1		–	–
C2		15	0.3%
E		4	0%
Total	$	5,811	100%

(USD) Rating		December 2012 Amount	Total %
A1	$	47	31%
A2		48	32%
B1		56	37%
Total	$	151	100%

Other types of assets related to Variable-Rate loans that have been hedged through the cash flow methodology at December 2012 have a position of $6,200. The covered portfolio is a subset of the total commercial portfolio which risk level is equivalent to an A2 level in the CNBV scale at December, 2012.

(d) Operational risk-

In conformity with the chapter IV of the *General Provisions regarding Comprehensive Risk Management*, published in the Federal Official Gazette on December 2, 2005, operational risk is a non-discretionary risk, which is defined as the potential loss resulting from internal control failures or deficiencies, errors in transaction processing or storage or in data transmission, as well as adverse administrative or legal resolutions, frauds or theft and includes, among other things, technological risk and legal risk.

For compliance with the rules on operational risk established by the aforementioned Provisions, the Group has put in place policies and procedures, enabling it to implement an appropriate operational risk management process, which are described below:

- Policies for Operational Risk Management.- These policies primarily promote the risk management culture, particularly as to operational risk, so that the Group can measure, identify, monitor, limit, control and disseminate the operational risks inherent in the day-to-day activities.

- Manual for Operational Risk Data Gathering and Classification.- These policies define the requirements for reporting the information that supports the measuring processes, including the scope, functions and responsibilities of the units providing the information, as well as its classification and specific characteristics.

- Levels of Operational Risk Tolerance – aimed at having an operational loss management tool that allows each of the Group's areas to know the tolerance levels of losses applicable to each assumed loss event and encouraging improvements in the management process of Operational Risks within each area and that the latter implement, insofar as possible, the necessary actions to minimize the risk of future losses.

- Key Risk Indicators (KRI) - this process allows the Group to establish indicators from variables drawn from processes, whose performance is related to the degree of risk assumed. By monitoring each indicator, trends are identified that enable managing the indicator's values over time, assuming that by controlling these values the associated risk factor is maintained within the desired levels. To this end maximum and minimum admissible values are established for each of the indicators selected, so that mitigating/corrective action is automatically initiated once these values are exceeded.

- Estimated Legal Risk Loss Model - the Group has a methodology for estimating expected and unexpected legal risk losses whereby it assesses potential loss as a result of adverse judgments in lawsuits in process. Such methodology is based on past experience of prior year losses, where data undergoes a severity and frequency of occurrence analysis to determine the likelihood of loss in relation to legal matters in process.

- Technological Risk Management Policies Manual – This manual sets forth the Bank’s general policies and criteria for performing the process for management of this risk.

(Continued)

- Technological Risk Sub-committee – This sub-committee is in charge of coordinating the technological risk management process for compliance with the regulation issued by the CNBV for management of this risk, maintaining the technological risk management process independent of the Systems area, ensuring the hardware, software, systems, applications, security, data recovery and networks are subject to a vulnerability evaluation process, promoting the establishment of policies and procedures to ensure the service quality level and data security and integrity at all times, and that electronic evidence is left for every transaction and activity performed by users.

The Group also has a structured methodology for self-assessment of operational risks, which is applied throughout the organization and through which it identifies operational risks inherent to its processes. Its objectives are as follows:

- Evaluating the potential impact of significant operational risks identified on the Group's objectives, competitiveness, profitability, productivity and reputation;

- Prioritizing, based on impact and significance, action for mitigating operational risks;

- Guiding each of the Group's units in their operating risk management processes;

- Establishing plans to mitigate risk;

- Compliance with the requirements established in sections III of Article 86 of the General Provisions for Comprehensive Risk Management.

Also, regular audits are performed by an experienced independent internal audit department, including comprehensive reviews of: the design and operation of internal control systems in all businesses and support groups, new products and systems; and the reliability and integrity of data processing operations.

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(Millions of Mexican pesos)

As a result of the Operational Risk management, the Group has identified operational risks for $519.5, which if they materialize, would cause a negative impact on the Bank's financial position at December 31, 2012, of which $51 are operational risk and $468.5 legal contingencies, both risks have been provisioned, for 2011 the risk totaled $552. The risks for 2012 represent 1.6% of total Equity Group's. The expected loss for such contingencies is estimated at $23.2 and the unexpected loss of $275.

At the close of 2012, the Group had built a historic database of operational risk losses which includes losses incurred during the period between January 2008 and December 2012, which aggregate 182,222 loss events with a total value of $1,112, classified under 22 risk categories, itemized below:

Database of Operational Risk Losses (amounts in thousands of nominal pesos):

Risk factors		2008	2009	2010	2011	2012	Grand total carried forward
Regulatory (fines and penalties)	$	2,988	828	1,475	8,506	1,805	15,602
Legal		2,718	4,554	11,457	4,053	9,224	32,006
Frauds (internal and external)		43,961	32,433	39,730	46,036	23,939	186,099
Bank credit card frauds		25,683	26,044	34,655	183,306	177,209	446,897
Phishing		151	302	960	-	448	1,861
Pharming		-	2,861	-	-	-	2,861
Assaults		3,794	4,685	1,663	1,094	307	11,543
Labor lawsuit		5,712	13,281	5,605	605	-	25,203
Miscellaneous checks		991	2,832	427	876	318	5,444
Shortages and forgeries (cash supply)		910	427	317	360	254	2,268
Accounting differences		214	4	-	2	51	271
Documentary (lost documentation)		-	23	160	-	-	183
Former employee indebtedness		3	-	-	79	80	162
Shortages and forgeries (foreign currency)		232	499	265	69	101	1,166
Irrecoverable amounts		9,219	551	614	945	105	11,434
Overdrafts		12	7	29	1,678	45	1,771
Trading		-	-	-	20	-	20
Errors in executing transactions		3,147	3,070	12,288	22,480	145,044	186,029
System failures		521	659	12,360	5,329	3,291	22,160
Tax		-	737	83,937	131	507	85,312
Policies and procedures		-	71,336	4	345	169	71,854
Other		305	387	1,114	-	183	1,989
Total	$	100,561	165,520	207,060	275,914	363,080	1,112,135

(Continued)

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Risk factors	Grand total, brought forward	Events Number	Events Average Amount
Regulatory (fines and penalties)	$ 15,602	223	68
Legal	32,006	476	67
Frauds (internal and external)	186,099	1,803	103
Credit card frauds	446,897	173,890	3
Phishing	1,861	10	186
Pharming	2,861	21	136
Assault	11,543	151	76
Labor lawsuits	25,203	116	217
Miscellaneous checks	5,444	270	20
Shortages and forgeries (cash supply)	2,268	777	3
Accounting differences	271	34	8
Documentary (lost documentation)	183	3	61
Former employee indebtedness	162	10	16
Shortages and forgeries (foreign currency)	1,166	722	2
Irrecoverable amounts	11,434	2,259	5
Overdrafts	1,771	112	16
Trading	20	2	10
Errors in executing transactions	186,029	686	271
Fixed asset damages	22,160	380	58
Tax	85,312	34	2,509
Politics and procedures	71,854	200	359
Others	1,989	43	46
Total	$ 1,112,135	182,222	6

(Continued)

(24) Other provisions-

The Group recognizes the creation of accruals when there is a present obligation as a result of a past event that is likely to result in the disbursement of funds and may be reasonably estimated.

Below is a summary of activity in other accruals that the consolidated Bank had in the years ended December 31, 2012 and 2011:

Other accruals	2011	Fluctuation for the year	2012
IT and ESPS	$ 1,006	371	1,377
Compensation	236	54	290
Miscellaneous liabilities	986	215	1,201
Fees	73	1	74
Other	1,246	1,062	184
	$ 3,547	421	3,126

(Continued)

(25) Recently issued accounting standards-

The CINIF has issued the FRS and Improvements listed below:

FRS B-8 "Consolidated or combined financial statements"- FRS B-8 is effective for years beginning on or after January 1, 2013, with retrospective effects. FRS B-8 supersedes former FRS B-8 "Consolidated or combined financial statements". The main changes with respect to the superseded FRS include the following:

- The definition of control is amended to stipulate that an entity controls an investee when it controls the relevant activities of the investee; it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee
- The term "protective rights" is introduced, which is defined as those designed to protect the interest of the non-controlling investor.
- The concepts of principal and agent are incorporated, the principal being an investor with decision-making rights over the investee; moreover, an agent is a party primarily engaged to act on behalf and for the benefit of another party or parties.
- The term "Special Purpose Entity" or SPE is eliminated since it is deemed that to identify an entity as a subsidiary, its operating objective and purpose are irrelevant.
- The term "structured entity" is included, which refers to an entity designed so that voting or similar rights are not a determining factor in deciding who controls such entity.

FRS C-7 "Associates, joint ventures and other permanent investments"- FRS C-7 is effective for years beginning on or after January 1, 2013, with retrospective effects. FRS C-7 supersedes former FRS C-7 "Investments in associates and other permanent investments". The major changes from the original FRS C-7 are as follows:

- It is provided that investments in joint ventures should be accounted for by the equity method.

(Continued)

- The term “Special Purpose Entity” or SPE is eliminated since it is deemed that to identify an entity as a subsidiary, its operating objective and purpose are irrelevant.

- It is stipulated that all the effects that have an impact on the net profit or loss of a holding company, arising from its permanent investments in associates, joint ventures and others, should be recognized under the heading of “equity in the results of other entities”.

- Additional disclosures are required for providing more details of the financial information of associates and/or joint ventures.

- Includes the term "restructured" which refers to the entity that has been designed so that voting or similar rights are not the determining factor in deciding who controls.

FRS C-21 “Joint arrangements”- FRS C-21 is effective for years beginning on or after January 1, 2013, with retrospective effects and is issued for amending the absence of accounting standards with regard to joint arrangements. The main aspects covered by this FRS include the following:

- A joint arrangement is defined as an arrangement that regulates an activity over which two or more parties have joint control. Moreover, joint arrangements are divided into two types:

  a) Joint operations: whereby the parties with joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement; and

  b) Joint ventures: whereby the parties with joint control have rights to the net assets of the arrangement.

- It is made clear that joint operations may or may not be structured through a separate vehicle, while joint ventures always have a separate vehicle.

- A joint venturer accounts for its interest in the joint venture as a permanent investment using the equity method.

2013 Improvements to FRS

In December 2012 the CINIF published a document called "Improvements to 2013 FRS", which contains specific amendments to certain existing FRS. The improvements that produce accounting changes are as follows:

- **FRS C-5 "Prepayments", Bulletin C-9 "Liabilities, provisions, contingent assets and liabilities and commitments" and Bulletin C-12 "Financial instruments with characteristics of liabilities, equity or both"-** Provides that expenses on the issue of debentures such as legal fees, issuance, printing and placement costs, etc. should be presented as a reduction of the corresponding liability and charged to income based on the effective interest method. This improvement is effective for years beginning on or after January 1, 2013 and presentation changes should be recognized retrospectively.

- **FRS D-4 "Income taxes"-** Establishes that current and deferred income tax shall be recognized and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event that is recognized in a different period, outside profit or loss, either in other comprehensive income or directly in equity. This improvement is effective for years beginning on or after January 1, 2013 and presentation changes should be recognized retrospectively.

- **Bulletin D-5 "Leases"-** It was defined that costs incurred and directly attributable to negotiating and arranging a lease (fees, legal fees, tenancy rights (extra pay) etc.), both for the lessor and lessee shall be deferred in the lease term and charged or credited to income in proportion to the related income or expense. This improvement is effective for years beginning on or after January 1, 2013 and its recognition is retrospective.

Management estimates that the new FRS and the improvements to FRS will be immaterial.