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

Consolidated Financial Statements

December 31, 2009 and 2008

(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.
Sociedad Controladora Filial:

We have examined the accompanying consolidated balance sheets of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. and Subsidiaries ("the Group") as of December 31, 2009 and 2008 the related consolidated statements of income and changes in stockholders' equity for the years then ended and consolidated statements of cash flows and changes in financial position, for the years ended December 31, 2009 and 2008, respectively. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are prepared in accordance with the accounting criteria for financial group holding companies in Mexico. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting criteria used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in note 2 to the consolidated financial statements, the Group is required to prepare and present its consolidated financial statements in accordance with the accounting criteria established by the National Banking and Securities Commission ("the Banking Commission") for financial group holding companies in Mexico, which in general conform to Mexican Financial Reporting Standards issued by the Mexican Board for Research and Development of Financial Reporting Standards (Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera or CINIF). These accounting criteria include particular rules, which in certain respects differ from such standards. The accounting criteria include particular rules, the application of which, in certain cases, differs from the aforementioned standards as explained in the paragraph (d), last paragraph (h), paragraph, (ab) and paragraph (ac) of note 2 to the consolidated financial statements.

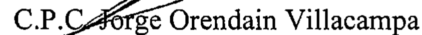
During 2009, changes were made to the accounting criteria, which are mentioned in note 3 to the consolidated financial statements; therefore, the consolidated financial statements as of December 31, 2008, which are presented for comparison purposes, were reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2009. Moreover, amendments to the general provisions applicable to credit institutions came into effect, which provide for a new methodology for determining preventive reserves corresponding to the consumer loan portfolio relating to credit card transactions. The adoption of these amendments had an effect of $264 million pesos that was recorded, thus reducing prior year earnings, in accordance with the provisions in place.

(Continued)

As discussed in note 3, criterion D-4 "Statement of cash flows" came into force on April 28, 2009, superseding former criterion D-4 “Statement of changes in financial position”; therefore, from that date and prospectively, the Group presents the consolidated statement of cash flows. Accordingly, such consolidated statement and the consolidated statement of changes in financial position are not presented for comparison purposes.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. and Subsidiaries as of December 31, 2009 and 2008, and the results of their operations and the changes in their stockholders’ equity for the years then ended, and cash flows and the changes in their financial position for the years ended December 31, 2009 and 2008 respectively, in conformity with the accounting criteria established by the Banking Commission for financial group holding companies in Mexico, as described in note 2 to the consolidated financial statements.

KPMG CARDENAS DOSAL, S. C.



C.P.C. Jorge Orendain Villacampa

February 15, 2010

GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES
(Sociedad Controladora Filial)

Consolidated Balance Sheet

December 31, 2009 and 2008

(Millions of pesos)

Assets		2009	2008
Cash and cash equivalents (note 5)	$	24,802	22,882
Margin accounts (note 3a)		203	183
Investment securities (note 6):			
Trading (note 3c)		25,425	23,634
Available-for-sale		8,762	10,601
Held-to-maturity		1,804	1,901
		35,991	36,136
Debtors under repuchase/resell agreements (debtor balance) (notes 3c and 7)		1,005	16
Derivatives (note 8):			
Trading purposes		1,810	1,394
Hedging purposes		189	162
		1,999	1,556
Current loan portfolio (note 9):			
Commercial loans:			
Business or commercial activity		30,943	34,201
Financial institutions		2,786	3,924
Government entities		6,754	4,866
		40,483	42,991
Consumer loans		17,319	19,499
Residential mortgages		38,317	33,153
Total current loan portfolio		96,119	95,643
Past due loan portfolio (note 9):			
Past due commercial loans:			
Business or commercial activity		452	251
Financial entities		4	1
		456	252
Past due consumer loans		1,231	1,509
Past due residential mortgages		2,251	1,835
Total past due loan portfolio		3,938	3,596
Total loan portfolio		100,057	99,239
Less:			
Allowance for loan losses (note 9g)		4,079	3,888
Loan portfolio, net		95,978	95,351
Other accounts receivable, net (notes 1d, 1i, 1j and 10)		11,400	11,016
Foreclosed assets, net (note 11)		27	28
Premises, furniture and equipment, net (note 12)		3,444	2,961
Permanent investments (note 13)		126	154
Deferred taxes and deferred ESPS, net (note 18)		561	538
Other assets:			
Deferred charges, prepaid expenses and intangibles		1,029	1,640
Other short and long term assets		453	352
		1,482	1,992
Total assets	$	177,018	172,813

Liabilities and Stockholders'Equity		2009	2008
Deposit funding (note 14):			
Demand deposits	$	60,801	56,049
Time deposits:			
General public		49,290	50,690
Money market		-	575
Credit securities issued		4,208	6,242
		114,299	113,556
Bank and other loans (note 15):			
Due on demand		3	1,300
Short-term		1,963	2,403
Long-term		2,036	2,452
		4,002	6,155
Assigned securities to be settled (note 6)		1,490	-
Creditors under repurchase/resell agreements (notes 3c and 6)		19,338	17,160
Collateral sold or pledged:			
Securities lending (notes 3d and 7)		132	96
Derivatives (note 8):			
Trading purposes		2,084	3,151
Hedging purposes		275	249
		2,359	3,400
Other accounts payable:			
Income tax payable (note 18)		254	36
Employee statutory profit sharing payable (note 18)		259	301
Creditors pending settlements		1,210	368
Sundry creditors and other accounts payable (note 19b)		5,778	4,071
		7,501	4,776
Deferred credits and prepayments		920	763
Total liabilities		150,041	145,906
Stockholders' equity (note 19):			
Paid-in capital:			
Capital stock		4,507	4,507
Earned capital:			
Statutory reserves		901	901
Unappropriated retained earnings		18,842	18,005
Unrealized gain from valuation of available-for-sale securities		260	331
Gain from valuation of cash flow hedge instruments		147	62
Net income		2,320	3,101
		22,470	22,400
Total stockholders' equity		26,977	26,907
Commitments and contingencies (note 22)			
Subsequent event (note 24)			
Total Liabilities and Stockholders' Equity	$	177,018	172,813

(Continued)

GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES
(Sociedad Controladora Filial)

Consolidated Balance Sheets, Continued

December 31, 2009 and 2008

(Millions of pesos)

Memorandum accounts (notes 3c, 7, 9a and 20)

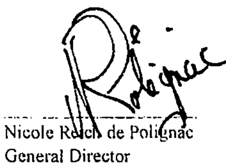
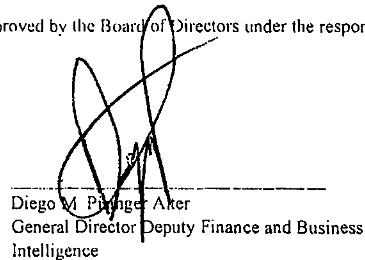
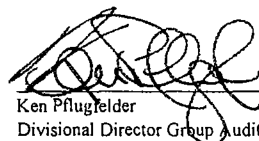
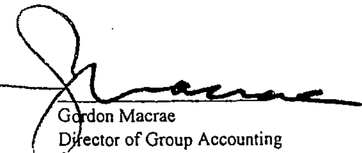
	2009		2008	
Contingent assets and liabilities		$ 1,663		2,998
Loan commitments		2,244		3,164
Assets in trust or under mandate:				
Trusts	$ 108,070		96,916	
Mandate	26,832	134,902	486	97,402
Assets in custody or under management		$ 502,497		589,802
Collateral received by the entity		105,389		92,840
Collateral received and sold or pledged by the entity		42,060		50,047
Investments on behalf of customers, net		49,423		44,650
Interest earned but not collected arising from past due loan portfolio		152		114
Other accounts		1,034,276		840,768

"The historical capital stock amounts to $3,111 at December 31, 2009 and 2008."

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, through the dates noted 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."

Nicole Reich de Polignac
General Director

Diego M. Pisinger Alter
General Director Deputy Finance and Business Intelligence

Ken Pflugfelder
Divisional Director Group Audit

Gordon Macrae
Director of Group Accounting

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GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES
(Sociedad Controladora Filial)

Consolidated Statements of Income

Years ended December 31, 2009 and 2008

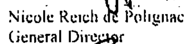
(Millions of pesos)

		2009	2008
Interest income (note 21)	$	18,681	22,515
Interest expense (note 21)		(9,225)	(13,161)
Financial margin		9,456	9,354
Provision for loan losses (note 9g)		(2,954)	(3,023)
Financial margin after provision for loan losses		6,502	6,331
Commission and fee income (note 21)		3,277	3,179
Commission and fee expense		(357)	(376)
Financial intermediation income (note 21)		792	807
Other operating income (note 21)		84	780
		3,796	4,390
Total operating income		10,298	10,721
Administrative and promotional expenses		(9,352)	(8,779)
Net operating income		946	1,942
Other income (notes 1c, 1d, 1f, 1g, 6, 10, 21 y 22)		2,375	2,286
Other expense (note 21)		(152)	(230)
		2,223	2,056
Income before income taxes		3,169	3,998
Current income taxes (note 18)		(886)	(899)
Deferred income taxes, net (note 18)		29	(56)
		(857)	(955)
Income before equity in the results of associated companies		2,312	3,043
Equity in the results of operations of associated companies, net		8	58
Net majority interest income	$	2,320	3,101

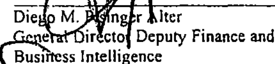
See accompanying notes to consolidated financial statements.

"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."

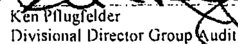
"These consolidated statements of income were approved by the Board of Directors under the responsibility of the following officers".



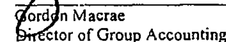
Nicole Reich de Polignac
General Director



Diego M. Pisinger Alter
General Director Deputy Finance and Business Intelligence



Ken Pflugfelder
Divisional Director Group Audit



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GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES
(Sociedad Controladora Filial)

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2009 and 2008

(Millions of pesos)

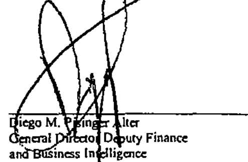
	Capital stock	Statutory reserves	Unappropriated retained earnings	Earned capital: Unrealized gain from valuation of available-for-sale securities	Gain from valuation of cash flow hedge instruments	Gain from holding non-monetary assets: From valuation of premises, furniture and equipment	From valuation of permanent investments in shares	Adjustment for labor obligations upon retirement	Net income	Total stockholders' equity
Balances at December 31, 2007	$ 4,507	787	13,248	62	12	3	822	(8)	4,053	23,486
Changes resulting from stockholder resolutions:										
Resolution passed at the Ordinary General Stockholders' Meeting of April 24, 2008 – Appropriation of 2007 net income	-	114	3,939	-	-	-	-	-	(4,053)	-
Changes related to the recognition of comprehensive income (note 19c):										
Reclassification of gain from holding non-monetary assets (note 3q)	-	-	818	6	-	(3)	(822)	-	-	(1)
Valuation effects, of available-for-sale securities and cash flow hedge instruments, net of deferred taxes and ESPS for $(162) and $(35), respectively	-	-	-	263	50	-	-	-	-	313
Cancelation of additional pension liability in stockholders' equity	-	-	-	-	-	-	-	8	-	8
Net income	-	-	-	-	-	-	-	-	3,101	3,101
Total comprehensive income	-	-	818	269	50	(3)	(822)	8	3,101	3,421
Balances at December 31, 2008	$ 4,507	901	18,005	331	62	-	-	-	3,101	26,907
Changes resulting from stockholder resolutions:										
Resolution passed at the Ordinary General Stockholders' Meeting of March 27, 2009 – Appropriation of 2008 net income	-	-	3,101	-	-	-	-	-	(3,101)	-
Dividends declared (note 19b)	-	-	(2,000)	-	-	-	-	-	-	(2,000)
	-	-	1,101	-	-	-	-	-	(3,101)	(2,000)
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 $60 and $(30), respectively	-	-	-	(71)	85	-	-	-	-	14
Effect of change in accounting policy - Initial recognition resulting from the application of new provisions for preventive reserves the consumer credit portfolio (note 3j)	-	-	(264)	-	-	-	-	-	-	(264)
Net income	-	-	-	-	-	-	-	-	2,320	2,320
Total comprehensive income	-	-	(264)	(71)	85	-	-	-	2,320	2,070
Balances at December 31, 2009	$ 4,507	901	18,842	260	147	-	-	-	2,320	26,977

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 is 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 entrie the transactions carried out by the Holding Company and the financial and other entities comprising the Group that are subject to consolidation, through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound prac 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".

Nicole Reich de Polignac
General Director



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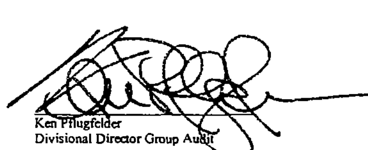
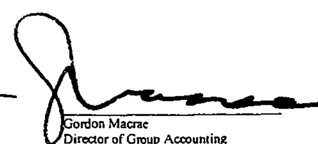


Ken Pflugfelder
Divisional Director Group Audit



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Director of Group Accounting

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GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES
(Sociedad Controladora Filial)

Consolidated Statement of Cash Flows

Year ended December 31, 2009

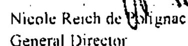
(Millions of pesos)

Net income	$ 2,320
Income statement items not requiring (providing) cash flow:	
Provision for loan losses	2,954
Provision for doubtful accounts	8
Impairment losses or impairment reversal in investing in financing activities	148
Depreciation and amortization	267
Provisions	352
Current and deferred income taxes	213
Equity in the results of operations of associated companies	(8)
Other	101
	4,035
Operating activities:	
Change in margin accounts	(20)
Change in investment securities	1,377
Change in receivables under repurchase / resell agreements	(989)
Change in derivatives (assets)	13
Change in loan portfolio	(3,845)
Change in foreclosed assets	(8)
Change in other operating assets	112
Change in deposit funding	743
Change in bank and other loans	(2,153)
Change in creditor by repurchase / resell agreements	2,178
Change in collateral received and sold or pledged	36
Change in derivatives (liabilities)	(1,461)
Change in other operating liabilities	787
Net cash flows from operating activities	(3,230)
Investing activities:	
Payments for acquisition of premises, furniture and equipment	(738)
Payments for acquisition of intangibles assets	(6)
Cash received from disposal of subsidiary and associates	36
Net cash flows from investing activities	(708)
Net cash flows from financing activities for payment of dividends in cash (note 19b)	(497)
Net increase in cash and cash equivalents	1,920
Cash and cash equivalents at beginning of year	22,882
Cash and cash equivalents at end of year	$ 24,802

See accompanying notes to consolidated financial statements

"This statement of cash flows, consolidated with those of the financial and other entities comprising the Group that are subject to consolidation, was 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 all the sources and applications of fund relating to the transactions carried out by the Holding Company and the financial and other entities comprising the Group that are subject to consolidation, through the dates noted above. Furthemore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"This consolidated statement of cash flows was approved by the Board of Directors under the responsibility of the following officers".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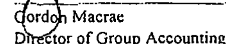
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GRUPO FINANCIERO SCOTIABANK INVERLAT, S. A. DE C. V. AND SUBSIDIARIES
(Sociedad Controladora Filial)

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2008

(Millions of pesos)

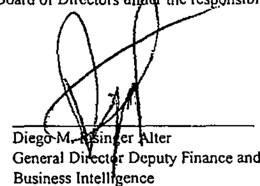
Operating activities:	
Net income	$ 3,101
Income statement items not requiring (providing) funds:	
Provision for loan losses	3,023
Equity in the results of operations of associated companies	(62)
Provision for foreclosed asset impairment	34
Valuation of securities under repurchase/resell agreements, derivative transactions and investment securities	89
Deferred income tax and employee statutory profit sharing	71
Depreciation and amortization	207
Other statements items not requiring funds (notes 1 and 22)	79
Funds provided by operations	6,542
Changes in items related to operations:	
Increase in operating liabilities:	
Deposit funding	11,611
Bank and other loans	1,562
(Increase) decrease in operating assets:	
Margin accounts	183
Loan portfolio	(9,806)
Investment securities	5,151
Securities and derivative transactions	(1,575)
Funds provided by operating activities	13,668
Financing activities:	
Payment of dividends (note 19b)	(604)
Increase in other accounts payable	(1,584)
Funds provided by operations activities	(2,188)
Investing activities:	
Acquisition of premises, furniture and equipment, net	(562)
Decrease in foreclosed assets	5
Decrease in permanent investments in shares	90
Other assets, prepaid expenses and deferred charges and credits, net	(551)
Other accounts receivable	(4,113)
Funds used in investing activities	(5,131)
Increase in cash and cash equivalents	6,349
Cash and cash equivalents:	
At beginning of year	16,533
At end of year	$ 22,882

See accompanying notes to consolidated financial statements.

"These statements of changes in financial position, 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 sources and applications of founds relating to the transactions carried out by the Holding Company and the financial and other entities comprising the Group that are subject to consolidation, through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"This consolidated statement of changes in financial position was approved by the Board of Directors under the responsibility of the following officers".

Nicole Reich de Polignac
General Director



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General Director Deputy Finance and Business Intelligence

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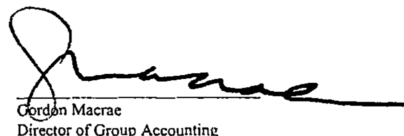
Divisional Director Group Audit



Gordon Macrae
Director of Group Accounting

http://www.scotiabank.com.mx/QuienesSomos/quien/Info_coporativa/estados_financieros/Pages/Estados_financieros.aspx

http://www.cnbv.gob.mx/estadistica

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, 2009 and 2008, the Holding Company and its subsidiaries (the Group) includes Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (the Bank), a multiple service banking institution which, amongst other activities, accepts deposits from the general public, grants and receives loans, engages in securities transactions and provides trust services; Scotia Inverlat Casa de Bolsa, S. A. de C. V. Grupo Financiero Scotiabank Inverlat (the Brokerage Firm), which acts 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 Mutual Fund Management Company), which acts as a mutual fund management company in conformity with applicable laws; and Scotia Afore, S. A. de C. V. (the Afore) which was incorporated for the purpose of managing and operating retirement funds in terms of the applicable laws and general provisions issued by the National Commission for the Retirement Savings System issued by Comisión Nacional del Sistema de Ahorro para el Retiro (CONSAR).

2009 Significant transactions-

(a) Sale of credit card portfolio-

On April 23, 2009, the Bank sold a credit card portfolio to a non-bank institution (SOFOM as abbreviated in Spanish), for a market value of $383. The outstanding balance and the allowance for this portfolio at the disposal date were $806 and $46, respectively. The Bank continues to provide administrative services for the sold portfolio.

As a result of this transaction, the Bank determined a loss of $371, recorded in "Other operating income". This loss resulted from the difference between the net book value of $760 and the disposal price of $383, and taking into consideration the valuation of $6 attributed to portfolio management, in conformity with the provisions of the applicable accounting Standards.

(b) Sanitary contingency support plan for the flu virus-

The Bank adopted the resolution published by the National Banking and Securities Commission (the Banking Commission) on June 12, 2009 relating to the AHINI flu virus sanitary contingency. Loans portfolios that benefited from this program were: auto, consumer, mortgage and credit card portfolios.

(Continued)

(c) Securities transactions-

As at December 31, 2008, the Brokerage Firm recognized an accrual of $79, which it charged to results of operations in that year. The accrual related to securities transactions with third parties. This accrual was cancelled during 2009 and, concurrently, a loss was recognized in connection with the recognition of the fair value of the securities received.

(d) Assignment of trade portfolio rights-

On November 6, 2009, the Afore entered into an onerous trade portfolio rights assignment agreement with Profuturo GNP, S. A. de C. V., Afore (Afore Profuturo), whereby it undertook to assign the totality of rights and obligations inherent to the trade portfolio, the rights for managing individual accounts, as well as the assets under the management of the Siefores managed by the Afore on January 4, 2010. The agreed-upon consideration for the assignment amounted to $200, which was recorded in the caption of "Other income" in the consolidated statement of income for the year ended December 31, 2009, and as an account receivable in "Other receivables".

The agreement considers the Afore's accountability for any contingency relating to events inherent to the portfolio subject to the assignment of rights over a limited one-year period.

2008 Significant transactions-

(e) Shares received from the entity engaged in credit card operations -

On March 31, 2008, based on the percentage of equity held in VISA, the Bank was granted 357,599 VISA shares, which were recorded in "Investment securities" and classified as available-for-sale securities; relevant valuation and deferred taxes were recorded in stockholders' equity under "Valuation of available-for-sale securities". On acquisition, 56% of shares were immediately sold, leading to a gain of $92 and the remaining 44% cannot be sold for at least three years from the date of acquisition.

(f) Restructuring by the Mexican Stock Exchange -

The Mexican Stock Exchange (BMV as abbreviated in Spanish) carried out a corporate restructuring that included primarily the Trust "Asigna, Compensación y Liquidación" F/30430 (Asigna), and the entities S. D. Indeval, Institución para el Depósito de Valores, S. A. de C. V., (Indeval), MexDer, Mercado Mexicano de Derivados, S. A. de C. V. and Contraparte Central de Valores de México, S. A. de C. V. (CCVM).

(Continued)

On June 13, 2008, the BMV issued its primary Public Offering, acquiring the equity of the holders of the entities mentioned in the preceding paragraph; the following methods were applicable to the Group:

a) Cash purchase of equity from current holders; and

b) Acquisition of equity through a share for share exchange using the equity of the newly created BMV.

On June 13, 2008, the Bank sold its equity in S. D. Indeval, S. A. to the BMV for $21 cash, the carrying value of which was $6, representing a gain of $15, recorded in "Other Income".

Furthermore, the Bank and the Brokerage Firm each received an initial payment of $40 for the assignment of economic rights to the Indeval stock, with the possibility of an additional payment should the Stock Market Law be amended and holding a of more than one share per person is permissible, however, as of December 31, 2009, the law was not modified.

The Trusts Banco Inverlat, S. A., Fideicomiso Socio Liquidador 101667 and Banco Inverlat, S. A., Fideicomiso 101776 and Scotia Inverlat Derivados, S. A. de C. V. (subsidiaries of the Bank) sold the Asigna trust rights and shares of MexDer, respectively, for $173, recognizing an income amounting to $150, which was included in the consolidated statement of income under "Other income".

The Brokerage Firm transferred the shares it owned in BMV, CCVM and Indeval (with a carrying amount as of the transaction date of $11, $42 and $2, respectively) and received as consideration 14,176,749 shares of Participaciones Grupo BMV, S. A. de C. V., (Participaciones BMV), a spun-off entity from the corporate restructuring of the BMV. The shares received were recorded as "available-for-sale" at their acquisition cost; the valuation gain or loss at fair value was recognized in the stockholders' equity.

The trusts recorded the consideration received as "Available-for-sale securities", recognizing a valuation in the stockholders' equity of $179 at the moment of the transaction.

(g) Mortgage portfolio securitization -

On March 13, 2008, the Bank securitized its mortgage portfolio through a first issue of stock exchange certificates "certificados bursátiles" for a total of $2,494, as part of an authorized program limited to a maximum of $10,000 over a 5 year period. That portfolio was assigned to a trust created INVEX, S. A., which issued securities for acquisition by the investing public. By way of consideration, the Bank received the cash proceeds from that placement and a trust certificate entitling it to the right to receive the remainder of the trust.

(Continued)

The characteristics of the securities issued by the assignor are as follows:

Type	Ticker symbol	Interest rate	Issue term	Program term	Nominal value of certificates
Mortgage-backed bonds (securities)	SCOTICB 08	9.15%	7,377 days following issue date	5 years	$100

Each security represents the holder's right to collect the principal and interest thereon due, by the trustee as issuer of the securities, in accordance with the trust terms.

The securities are payable only out of the existing funds of the trust estate. The trustee set up a reserve to ensure payment of interest on the securities for the issue term. As of December 31, 2009 and 2008 the reserve amounted to $42 and $37, respectively.

As a result of the securitization, the Bank recorded a gain on the portfolio sale of $14 in 2008, which was recorded in the income statement under "Other income".

The Bank wrote off $9 on the allowance for the securitized portfolio. In addition, revenues and expenses, related to the securitized portfolio and which had been deferred over the life of the loans, were reversed to income which amounted to $25 and $3, for revenue and expense, respectively.

Should the outstanding balance of the securities be less than 10% of the opening balance, the Bank may fully acquire the Trust.

The Bank contractually provides the trust with administrative services for the securitized mortgage portfolio, recording monthly revenue equal to 1% of the average monthly portfolio, under "Other commissions and fees income". For the years ended December 31, 2009 and 2008, the amount received by the Bank for administrative services amounted to $22 and $20, respectively.

The trust certificate was valued utilizing the cost recovery method and recorded in the "other receivables" category (see note 10).

(h) Highway bond securitization -

On October 22, 2008 the Bank carried out a securitization of a government bond portfolio, through the first and only issue of Stock Trust Certificates (the securities) amounting to $4,248. This credit was assigned to a trust created by The Bank of New York Mellon, S. A., which issued securities for acquisition by the investing public. As consideration for the assignment, the Bank acquired those securities, which were recorded under "Available-for-sale securities".

(Continued)

The characteristics of the securities issued by the assignor are as follows:

Type	Ticker symbol	Securities	Maturity date	Issue term	Nominal value of certificates
Stock trust certificates	MMVCB 08	42,480,890	September 3, 2012	1,412 days	$100

The stock trust certificates pay an interest rate that is determined by the simple arithmetic average rates of return of the latest auctions of the primary 91-day Cetes, published within the 28 calendar days before the beginning of each interest period. Interest is payable on a quarterly basis.

The Bank did not write off any allowance for losses related to the securitization, as the loan was an exempt category which is not graded.

The Bank, in its capacity as trust holder, may acquire the Trust should the outstanding balance of the securities be equal to or less than 10% of the nominal value of all securities.

The Bank does not provide the trust with administrative services for the securitized commercial loan.

(i) ***Second acquisition of automotive receivables -***

In May 2008, the Bank purchased automotive accounts receivables through a trust, whereby the Bank received a promissory note at a 28-day TIIE rate plus 175 basis points. This transaction was settled in September 2008, with the maturing of the relevant account receivable (see note 10).

(j) ***Third acquisition of automotive receivables -***

In August 2008, the Bank purchased new automotive accounts receivable with a line of credit amounting to $3,704, bearing interest at 28-day TIIE rate plus 212 basis points (see note 10).

(k) ***Contingencies for securities transactions-***

As of December 31, 2008, the Brokerage Firm recognized a provision charged to operations of that year for the amount of $79, for the risk arising from securities transactions with third parties. This provision was cancelled in 2009, and at the same time a loss was recognized in respect of the fair value of securities received (see paragraph (c)).

(2) Summary of significant accounting policies-

(a) Financial statement authorization, presentation and disclosure-

On February 15, 2010, Nicole Reich de Polignac (General Director), Diego M. Pisinger Alter (General Director Deputy Finance and Business Intelligence), Ken Pflugfelder (Divisional Director Group Audit) and Gordon Macrae (Director of Group Accounting) authorized the issuance of the accompanying audited consolidated financial statements and related footnotes.

The Stockholders and the Banking Commission are empowered to modify the consolidated financial statements after issuance. The accompanying 2009 consolidated financial statements will be submitted to the next Stockholders' Meeting for approval.

The accompanying consolidated financial statements have been prepared, based on the applicable banking legislation, in conformity with the accounting rules 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 accompanying consolidated financial statements include the assets, liabilities and results of the Holding Company, the Bank, the Brokerage Firm, the Mutual Fund Management Company and, the Afore. All significant intercompany transactions and balances have been eliminated on consolidation. The financial statements of the Afore, prepared in accordance with the CONSAR's criteria, have been standardized with reporting and disclosure criteria issued by the Banking Commission.

The consolidated financial statements also include the assets, liabilities and results of the Bank's UDI Trusts (restructured loan portfolio), created for the purpose of managing restructured loans through Federal Government support programs (see note 9e), where the Bank acts as grantor and trustee and the Mexican Government is the trust beneficiary. The trusts have been valued and presented in conformity with the accounting rules prescribed by the Banking Commission.

All significant intercompany transactions and balances have been eliminated on consolidation.

In general, the accounting criteria established by the Banking Commission conform to Mexican Financial Reporting Standards (FRS) issued by the Mexican Board for Research and Development of Financial Reporting Standards Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF), but include particular rules relating to accounting, valuation, presentation and disclosure, which depart from these standards — see paragraphs (d), (h), (ab) and (ac) of this note.

(Continued)

The accounting criteria provide that the Banking Commission will issue particular rules for specialized operations and that in the absence of an express accounting criterion of the Banking Commission, and in a wider context the FRS, the supplementary 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 supplementary 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 supplementary 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.

The preparation of the consolidated financial statements requires management to make a number of estimates and assumptions relating to 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, estimates for loan losses and deferred taxes. The volatility shown by the debt and capital markets and the economic situation in Mexico and abroad, can cause the carrying values of assets and liabilities differs from the amounts obtained in the future by completion and settlement. Consequently, actual results may differ from those estimates and assumptions.

For purposes of disclosure in the notes to the consolidated financial statements, "pesos" or "$" refers to millions of Mexican pesos, and when reference is made to "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.

During 2009, changes were made to the accounting criteria issued by the Banking Commission, which are mentioned in note 3 "Changes in accounting policies"; therefore, the consolidated financial statements as of and for the year ended December 31, 2008, which are presented on a comparative basis, were reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2009.

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

The consolidated financial statements have been prepared in accordance with the accounting criteria in force at the consolidated balance sheet date, and include the recognition of the effects of inflation on the financial information through December 31, 2007 based on the Investment Unit (UDI) value. The UDI is a unit of measurement whose value is determined by the Banco de México (Central Bank) based on inflation (see note 3). The accumulated inflation percentage for the last three fiscal years and the indices used in recognizing inflation through this year are as follows:

		Inflation	
December 31,	**UDI**	**Annual**	**Accumulated**
2009	$ 4.340166	3.72%	14.55%
2008	4.184316	6.39%	15.03%
2007	3.932983	3.80%	11.27%

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

Cash and cash equivalents consist of cash in hand, precious metals (coins), deposits with banks in pesos and dollars, 24 and 48-hour foreign currency purchase and sale transactions, bank loans with original maturities of up to three days (operations "Call Money"), and deposits with the Central Bank which include the statutory monetary deposits that, in conformity with the Law are maintained, in order to regulate the liquidity in the financial markets; such deposits have no maturity and bear interest at the average bank funding rate. The cash and cash equivalents are recognized at nominal value.

The receivables and obligations associated with 24 and 48-hour foreign currency sales and purchases are recorded in "Other accounts receivable", and "Sundry creditors and other accounts payable" respectively.

(d) ***Margin accounts-***

Beginning in 2009, the margin accounts relating to transactions with derivative transactions executed in known markets or stock exchanges, where financial assets are deposited with the purpose of seeking to comply with the respective obligations should be presented in a specific caption of the consolidated balance sheet. The amount of deposits corresponds to the initial margin and to the subsequent contributions or withdrawals during the life of the contract associated with the derivative financial instrument. In conformity with Bulletin C-10 of FRS, said margin accounts should be presented within the caption of "Derivatives".

(e) ***Investment securities-***

Investment securities consist of equities, government securities and bank promissory notes, listed and unlisted, classified into three categories according to management's investment intentions and capacity, as follows:

Trading securities-

Those for trading in the market. Securities are accounted for at fair value, transaction costs for the acquisition of securities are recognized in the statement of income on the acquisition date, securities are subsequently valued at fair value (provided by an independent price vendor) and when sold, the valuation result, previously recognized in the year's income, is reclassified as part of the sale result.

Interest earned from debt securities and the foreign exchange gain or loss derived from securities investments denominated in foreign currency are recognized in the year's income under "Interest income" or "Interest expense", as applicable. Dividends from equity instruments are recognized in the year's income when the right to receive them is confirmed. Valuation effects are recognized in the year's income within the caption of "Financial intermediation income".

Available-for-sale securities-

Those not classified as trading securities and where the entity does not have the intention or capacity to hold to maturity. These securities are initially recognized at fair value; transaction costs associated with the acquisition of the securities are initially recognized as part of the investment in the securities which are valued in the same manner as trading securities, but the valuation movements net of deferred tax effects are recognized in stockholders' equity under "Unrealized gain or loss from valuation of available-for-sale securities", which is cancelled when the gain or loss is taken to the statement of income when the security is sold or matures.

Held-to-maturity securities-

Are those debt securities with fixed or determinable payments and with fixed maturity, regarding which the entity has the intention and capacity to hold to maturity. These securities are initially recognized at fair value; transaction costs associated with the acquisition of the securities are initially recognized as part of the investment. Securities held to maturity are valued at amortized cost, which implies that the amortization of the premium or discount as well as the transaction costs form part of the interest recognized in income. Interest is recognized in income as earned and when the securities are sold, the gain or loss on sale is recognized as the difference between the net realizable value and the book value of the securities within the caption of "Financial intermediation income".

(Continued)

Impairment in value of a security-

Where sufficient objective evidence exists that a security has been impaired, the carrying amount of the security is modified and the loss is recognized in the statement of income.

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 deliverable, and are deducted from investments securities. The counter entry is a settlement credit or debit account, as applicable. Where the amount of securities deliverable exceeds the balance of own securities of the same type (government, bank, equity and other debt securities), this is reflected as a liability under "Assigned securities to be settled".

Transfers between categories-

Only transfers from held-to-maturity to available-for-sale securities are possible, provided it is no longer intended that the securities will be held 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) ***Securities under repurchase/resell agreements-***

According to amendments to the accounting rules issued by the Banking Commission, in effect on December 31, 2009, sale and repurchase agreements are accounted for as follows:

Acting as repurchaser-

On the date of execution of the sale and repurchase agreement, either the cash inflow or a debit settlement account are recorded, together with an account payable measured initially at the contracted price and presented in the caption of "Creditors under repurchase/resell agreements", which represents the obligation to return the cash to the counterparty. Over the life of the repurchase/resell agreement, the account payable is valued at amortized cost by recognizing the sale and repurchase interest in the year's income as it falls due, in accordance with the effective interest method, within "Interest expense". Financial assets transferred to the counterparty are reclassified in the consolidated balance sheet, presented as restricted, and continue to be valued in conformity with the appropriate accounting policy relevant to that asset.

(Continued)

Acting as repurchasee-

On the date of execution of the repurchase/resell agreement, either the cash outflow or a credit settlement account are recorded as well as an account receivable measured initially at the contract price presented in the caption of "Debtors under repurchase/resell agreements", which represents the future receivable of the cash delivered. Over the term of the sale and repurchase agreement, the account receivable is valued at amortized cost by recognizing the sale and repurchase interest in the year's income as earned, in accordance with the effective interest method, within "Interest income". Financial assets received as collateral are recorded in memorandum accounts and carried at fair value.

Should the Group sell or pledge the collateral, the transaction proceeds and an account payable are 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 acts as repurchaser and the debit or credit balance is presented in the "Debtors under repurchase/resell agreements" caption or in "Collateral sold or pledged", as applicable.

Securities receivable or deliverable at December 31, 2008 and transactions in effect prior to the applicability of the new rules were valued at fair value, provided by an independent price vendor, and the right or obligation for the commitment to repurchase or resell, including the premium, was valued at the net present value of the price at maturity. The consolidated balance sheet presented total of the debit or credit balances, after the restated values of the receivable or deliverable securities and the commitments to repurchase or resell each sale and repurchase agreement had been individually offset. Transactions where the Group acted as repurchaser and repurchasee with the same entity were not offset.

Interest and premiums are included in the financial margin within the captions of "Interest income or expense", as applicable. The sales gain or loss and valuation effects are reflected in "Financial intermediation income".

(g) Securities loan-

Pursuant to the amendments to the Commission's accounting criteria, in effect at December 31, 2009, securities loan transactions are accounted for as explained below:

Acting as lender-

On the date of execution of the securities loan transaction, the security subject matter of the loan, transferred to the borrower, is recognized as restricted, the premium earned is recognized in the year's income in "Interest income", through the effective interest method during the term of the transaction, against an account receivable presented in the caption of "Securities lending". Financial assets received as collateral are recognized in memorandum accounts within the caption of "Collateral received by the entity" and are marked to market.

In the case of the Group selling the collateral received prior to the maturity of the securities, recognition is provided for 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. These transactions are presented within "Collateral sold or pledged", except in cases where the collateral is pledged in a sale and repurchase transaction, when it is recorded in accordance with section (f) of this note. Any difference existing at the time of sale between the price received and the fair value of the security subject to the transaction or of the collateral received, is presented in the caption of "Gain or loss on the sale", as applicable.

Acting as borrower-

On the date of execution of the securities loan transaction, the security received against the loan is recognized in memorandum accounts under "Collateral received by the entity" is are marked to market; the earned premium amount is recognized in the year's income in "Interest expense" through the effective interest method during the term of the transaction, against an account payable presented in the caption of "Securities lending". Financial assets delivered as collateral are recognized as restricted and are marked to market.

If the Group sells the security, recognition is provided for the inflow of funds coming from the sale as well as an account payable for the obligation to return such security to the lender, which is initially measured at the agreed-upon price and subsequently marked to market and presented within the caption of "Financial intermediation income ", the exception being any security pledged as security in a sale and repurchase transaction, which is recorded in accordance with section (f). Any difference existing at the time of sale between the price received and the fair value of the security or of the collateral received, is presented in the caption of "Gain or loss on purchase and sale", as applicable.

(h) Derivatives -

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 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".

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 is de-designated, while the valuation of the cash flow hedge instrument within stockholders' equity remains in this caption and is gradually amortized through "Financial intermediation income" until the maturity of the transaction.

The gain or loss that results from valuing a fair value hedge instrument is recognized in the consolidated balance sheet and consolidated statement of income under "Derivatives" and "Financial intermediation income", respectively, while the valuation of the primary position is recognized in income within the appropriate line item in conformity with the provisions of the applicable accounting Standards. This presentation departs from the one set forth in Bulletin C-10 of FRS, which requires that the hedge valuation gain or loss be shown jointly with the valuation of the hedged primary position, in the income statement caption where the primary position is shown.

(i) Clearing accounts-

Amounts receivable or payable for investment securities, securities repurchase/resell agreements, securities loans and/or derivative financial instruments, which have expired but have not been settled at the balance sheet date, as well as 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 settlement, credit and debit accounts are offset provided they arise from like transactions, are executed with the same counterparty and settled on the same maturity date. Settlement accounts are shown under "Other accounts receivable, net" or "Other accounts payable", as appropriate.

(j) Past due loans and interest-

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

Commercial loans with one principal amortization and interest payment – 30 or more days after due date.

Commercial and residential mortgages where the repayment of principal and interest thereon was agreed in partial periodic payments – When the payment of principal and interest thereon have not been collected and are 90 or more calendar days past due.

(Continued)

Commercial loans with one principal amortization and periodic interest payments – 30 or more days after due date in the case of the principal payment and 90 or more days after due date in the case of interest payments.

Revolving credits and credit cards – When unpaid for two normal billing cycles or when 60 or more days past due.

Overdrafts of checking accounts with no lines of credit and outright notes receivable – When these documents are not collected within the following time limits:

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

– Transactions with foreign entities: 15 business days after the transaction took place.

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

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 when three timely consecutive payments have been made (sustained payment).

(k) Allowance for loan losses-

An allowance for loan losses is maintained which, in management's opinion, is sufficient to cover credit risks associated with the loan portfolio, guarantees issued and irrevocable loan commitments. The allowance is described as follows:

Graded commercial loans – Studies are made for classifying the portfolio using internal grading rating models applicable to the Bank's commercial loans based on the borrower's likelihood of default and creditworthiness, which were authorized by the Banking Commission. Such internal grading models comply with the methodology prescribed by the Ministry of Finance and Public Credit (SHCP), and follow the credit grading guidlines set forth by the Banking Commission.

In compliance with the General Provisions applicable to the Loan Portfolio Grading Methodology for Credit Institutions ("the Provisions"), the Bank, based on the results from its internal grading model, references its grading to those of the Provisions so as to validate the adequacy of the allowance.

Loans granted to Trustees acting pursuant to Trusts and "structured" credit instruments that affect capital which permit the individual assessment of the related risks and those granted to financial entities, are graded individually according to methodologies prescribed in these "Provisions" (see note 23).

(Continued)

Graded residential mortgage and consumer loans – These loans are parametrically evaluated in conformity with the Provisions, which stipulate rules for establishing allowances to recognize potential loan losses based on the past due installments, probability of default, and the expected loss given default and in the case of consumer portfolio relating to credit card transactions, considering as of 2009, the likelihood of default, severity of the loss and exposure to default, on an individual loan basis, on historical data of such portfolio.

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

Risk level	Range of allowance percentages
A - Minimum	0.5 – 0.9
B - Low	1 – 19.9
C - Medium	20 – 59.9
D - High	60 – 89.9
E - Loss	90 – 100.0

General reserves – In accordance with the "Regulations" general reserves mean those allowances resulting from risk degree A, and beginning August 2009, risk degree B-1 for consumer loan portfolio, with reference to credit card operations.

Specific reserves – Those allowances resulting from risk levels B, C, D and E.

Impaired loan portfolio – For financial statement disclosure purposes, commercial loans rated as having risk levels C, D and E, are regarded as impaired 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.

Exempt portfolio – consists mainly of loans to government entities, including the (IPAB), which are not graded.

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 Bank, as well as reserves maintained as prescribed by regulations, mainly those arising from profits in the restructured UDI portfolio trusts.

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.

(Continued)

(l) Other accounts receivable-

Loans to officers and employees, collection rights and accounts receivable relating to identified debtors over 90 calendar days past due are assessed by management to determine the estimated recovery value and, as required, to create the corresponding reserves. Irrespective of the likelihood of recovery, the balances of debtors less than 90 calendar days past due 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) and balances recoverable.

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

Collection rights arising from the acquisition of a single issue instrument on portfolios placed in trust are valued through the interest method whereby the initial investment is systematically amortized and the related return is recognized in income under "Other income" using an estimated yield rate.

The trust certificate arising from mortgage securitization is valued by the cost recovery method, any remaining amounts received will reduce the account receivable until the balance is extinguished; therefore, subsequent recoveries will be recognized in operations Under "Other income".

(m) Foreclosed assets or assets received in lieu of payment and leased foreclosed assets-

Foreclosed assets and assets promised for sale are recorded at fair value less costs and expenses that are strictly necessary expenditures of foreclosure of their costs or values; at the date of foreclosure the loan that led to the foreclosure and the allowance for loan losses created at that date are eliminated.

Foreclosed assets and assets promised for sale are restricted 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 income under "Other income" or "Other expense", respectively.

Where the value of the asset that led to the foreclosure, net of estimates, exceeds the value of the foreclosed asset, the difference is charged to income under "Other expense"; otherwise the value of the latter is adjusted to the net value of the asset.

(Continued)

Reductions in the value of foreclosed assets are deducted from the value of the assets and recognized in expense for the year under "Other expense". The Bank creates additional provisions to recognize for potential impairment of foreclosed assets due to the passage of time, according to the following table:

		Reserve percentage	
Months elapsed from the date of foreclosure or received in lieu of payment		**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%

(n) Premises, furniture and equipment-

Premises, furniture and equipment and leasehold improvements are initially recorded at their acquisition cost, and through to December 31, 2007 restated for inflation based on factors derived from the value of the UDI.

Depreciation and amortization are computed using the straight-line method on restated values, based on the useful lives of the assets estimated by the Group's management.

The Group evaluates periodically the values of premises and leasehold improvements, to determine whether there is an indication of potential impairment. 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 equal to the amount by which the carrying amount of the asset exceeds the value in use of the asset.

(Continued)

(o) ***Permanent investments-***

The investments in associated companies are accounted for under the equity method. An entity is deemed a Group's associate when the holds greater than 10% or 25% of the potential voting rights if the entity is listed or unlisted, respectively.

For investments where no significant influence exists, these are classified as other investments, which are recorded at acquisition cost, and are not re-valued. Dividends, if any, received from these investments are recognized in income.

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

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

Deferred IT or IETU and ESPS are accounted for under the asset and liability method. Deferred tax 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. 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.

(q) ***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. 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.

(r) ***Bank and other loans-***

Bank and other loans 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".

(Continued)

(s) ***Employee benefits-***

The Bank, the Brokerage Firm, the Mutual Fund Management Company and the Afore (the subsidiaries) have a defined contribution pension and post-retirement plan, where the amounts contributed by the subsidiaries are recognized directly as expenses in the consolidated statement of income under "Administrative expenses" (see note 16).

Additionally, there is a plan in place that covers the seniority premiums to which employees are entitled in accordance with the Federal Labor Law, and obligations related to the post-retirement medical benefits, food coupons and life insurance for retirees.

Irrevocable trusts have been created for all plans to manage the respective plan funds and assets, except for severance compensation. In the case of severance compensation, the obligation is merely provided for.

The net periodic cost and accumulated pension, seniority premium and severance compensation (for reasons other than restructuring) and post-retirement benefits associated with defined employee benefit plans are charged to operations each year, based on independent actuarial computations of the present value of these obligations, using the projected unit credit method, nominal interest rates and considering projected salaries.

From January 1, 2008, as a result of applying FRS D-3, an amortization period of a maximum of five years (or the average remaining useful life, whichever is shorter) was applied for unamortized items corresponding to past service.

Unamortized termination benefit items (transition liabilities or assets, plan modifications, net actuarial gains or losses and compensation increases) are recorded directly in income.

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

(t) ***Inflation adjustment of capital stock, capital reserves and retained earnings-***

Up to December 31, 2007 the inflation adjustment for these items was determined by multiplying stockholder contributions and retained earnings by factors derived from the UDI value, which measures accumulated inflation from the dates these contributions were made or the retained earnings that arose up to the 2007 year end, the date on which the change to a non-inflationary economy, in accordance with FRS B-10 "Effects of Inflation", came into effect. The amounts obtained represented the constant value of stockholders' equity.

From 2008, the Group suspended the recognition of the effects of inflation on the financial information pursuant to the provisions of the FRS.

(Continued)

(u) ***Gain or loss from holding non-monetary assets-***

Up to December 31, 2007 the gain or loss from holding non-monetary assets represented the difference between the specific valuation of these assets and their restated cost using UDI factors.

During 2008, the Group suspended the recognition of the effects of inflation on the financial information, as explained in note 3 (q). Therefore, the Group reclassified the account "Gain or loss from holding monetary assets" to "Retained earnings".

(v) ***Revenue recognition-***

Interest on loans granted including 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 is not recognized in income until collected.

Interest and commissions collected in advance are recorded as deferred income within "Deferred credits and prepayments", and are charged or credited to income as earned.

Commissions collected for the initial granting of a loan are recorded as a deferred credit, which is amortized in income during the life of the loan, except when arising from revolving loans, which are amortized over a twelve-month period.

Fees on trust transactions are recognized in income as earned. Such revenues are not accrued when fees are past-due 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.

Interest income on repurchase/resell agreements are recognized in income as earned, using the effective interest method.

The commissions from assets in custody or under management are recognized in income as earned.

Fees for financial intermediation (placement of paper or actions) and for transactions with investment companies are recorded in income as the transactions are agreed.

Profits or losses from sale of securities for trading, is recorded in income when the securities are sold.

The Afore recognized fee income on balances are recognized in income as accrued.

(w) ***Customer securities-***

Customer securities in custody, guarantee or under the Group's administration are recorded in the respective memorandum accounts at fair value, representing the maximum expected amount for which the Group is obligated to its customers in the event of a future loss contingency.

(Continued)

(x) Foreign currency transactions-

The accounting records are maintained in both Mexican pesos and foreign currencies. 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, is 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.

(y) UDI Trusts-

Asset and liability accounts of the restructured loan portfolio in UDI Trusts are expressed in Mexican pesos by applying the UDI value at the end of each month. Income and expense accounts are expressed in Mexican pesos by applying the average UDI value.

(z) Contributions to IPAB and to the Reserve Fund-

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 UDIS.

The Other assets caption includes contributions to the self-regulatory reserve fund, created by the stock market community, intended for supporting and contributing to the strengthening of the stock market.

(aa) Contingencies-

Contingent liabilities are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements. Contingent revenues, earnings or assets are not recognized until their realization is virtually assured.

(ab) Consolidated statement of income -

The Group presents the consolidated statement of income in accordance with accounting criteria for credit institutions in Mexico. The FRS requires the presentation of the consolidated statement of income classifying income, costs and expenses as ordinary and non-ordinary.

(ac) Consolidated statement of changes in financial position -

In 2008, the Group presented the consolidated statement of changes in financial position in accordance with the required accounting criteria for credit institutions in Mexico. From 2009, the accounting rules for credit institutions in Mexico adopted the presentation of the consolidated statement of cash flows in lieu of the statement of changes in financial position.

(Continued)

(3) Accounting changes-

Changes effective as of 2009

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

During 2009, the SHCP published in the Official Gazette the Resolution that amends the "General provisions applicable to credit institutions and brokerage firms ", which became effective on the following day and are intended to update the accounting criteria, making them more consistent with international accounting standards. The following are some of the principal Banking Commission criteria that are superseded by this resolution:

(a) Margin accounts-

Margin accounts relating to transactions with standardized futures and options contracts entered into at the MexDer should be presented in a specific consolidated balance sheet caption. As a result of the adoption of this rule, the Group reclassified $183 in the consolidated financial statements as of December 31, 2008 from "Cash and cash equivalents" to "Margin accounts" in order to comply with the 2009 presentation.

(b) B-2 "Investment securities"-

States that investment securities should initially be recognized at fair value and not at their acquisition cost; furthermore, it incorporates the concept of impairment in the value of a security and provides rules for determining evidence of impairment and its recognition. The adoption of this Standard did not have a significant impact on the Bank's consolidated financial statements.

In November 2009, the standard concerning transfers between categories of securities was amended. Previously, only transfers from held-to-maturity securities to available-for-sale securities were allowed provided the entity has neither the intention nor the capacity to maintain them till maturity. The change allows for, in addition to the aforementioned reclassification, securities of any category type to be reclassified to held-to-maturity, and for trading to be classified to available-for-sale if expressly approved by the Banking Commission. This change did not have a significant impact on the financial information for the year 2009.

(c) B-3 "Securities under Repurchase/resell agreements"-

Pursuant to transitory article three of the resolution dated April 27, 2009, sale and repurchase agreements already entered into and recognized in the consolidated financial statements prior to the enforcement of this Resolution, should be recorded in accordance with the accounting criteria in force on their trade date, through to their maturity.

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This supersedes previous criterion B-3 "Repurchase and resell agreements" and establishes the following modifications with respect to the previous standard.

(i) Establishes that repurchase and resell transactions that do not meet the requirements established in standard C-1 regarding the transfer of assets, will be treated as collateral financing in view of the economic substance of these transactions, regardless of whether the operations are reported as "cash oriented" or "value oriented".

(ii) The repurchaser or reseller will recognize the collateral in memorandum accounts following valuation guidelines in standard B-9 "Custody and management of goods", whilst reclassifying the financial asset on the balance sheet to present it as a restricted asset.

(iii) When selling the collateral, the repurchaser or reseller must recognize the revenue obtained from the sale, as well as the account payable for the obligation to repay the collateral to the counterparty at fair value, recognizing any difference between the price at which it was received and the fair value in accounts payable in the results of the year.

The Group reclassified its consolidated financial statements at December 31, 2008 to conform to the repurchase/resell agreements presentation as follows:

		Originally reported balances	Reclassified balances (note 7)
Balance Sheet			
Investment securities:			
Trading	$	6,412	23,634
Debtors under repurchase/resell agreements		180	16
Total assets	$	6,592	23,650
Creditors under repurchase/resell agreements	$	153	17,160
Total liabilities	$	153	17,160

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		Originally reported balances	Reclassified balances (note 7)
In Memorandum accounts:			
Securities receivable under repurchase agreements to resell	$	72,341	-
Less- Creditors under securities repurchase agreements		(72,452)	-
	$	(111)	-
Securities deliverable under resell agreements	$	(55,150)	-
Less- Debtors under securities resell agreements		55,288	-
	$	138	-
Collateral received by the entity	$	–	92,840
Collaterals received and sold or pledged by the entity		–	50,047

(d) ***B-4 "Securities loans*"**- Supersedes the former Standard B-4 "Securities loans" and provides for the following principal changes from the prior standard:

(i) It establishes that securities loan transactions that fail to comply with the terms set forth in Standard C-1 of recognition and write-off of financial assets shall be afforded an accounting treatment of collaterized financing, considering the economic substance of such transactions.

(ii) The lender should maintain in its balance sheet the security subject to the transaction, recognizing it as restricted while the borrower should not recognize the security in its financial statements but only in memorandum accounts, except in cases where the collateral risks, benefits and control are transferred due to the borrower's default.

(iii) The borrower should maintain in its balance sheet the financial assets delivered as collateral as restricted; moreover, the lender should not recognize them in its financial statements but in memorandum accounts.

(iv) The premium received from the transaction should be recognized as a deferred credit and in the year's income through the effective interest method during the term of the transaction.

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The Group reclassified its financial statements as of and for the year ended December 31, 2008 to conform to the presentation of the securities loan transactions as explained below:

		Originally reported balances	Reclassified balances (note 7)
In balance:			
Sundry debtors by securities loans	$	42	-
Sundry creditors by securities loans	$	60	-
Collaterals sold or delivered in guarantee		-	96
Total liabilities	$	60	96

(e) ***C-1 "Recognition and write off of financial assets"***- Supersedes former Standard C-1 "Transfer of financial assets" and establishes the following changes compared to the preceding standard.

(i) An assignee should recognize a financial asset on its consolidated balance sheet at fair value if and only if it acquires the contractual rights and obligations related to the financial asset.

(ii) It provides for the considerations for writing off a financial asset only when the contractual rights over the cash flows related to the financial asset expire or when the entity transfers the financial asset.

(iii) It expands the requirements for an entity to determine that an asset has been transferred, considering that it may only be written off if the entity transfers substantially all the risks and benefits inherent to the ownership of the financial asset or, in cases where the entity does not transfer or substantially retains all the risks and benefits due to the nature of the transaction, the entity should determine if it maintains control over the financial asset, in which case it shall continue to maintain it on its consolidated balance sheet.

The adoption of this FRS had no significant effect.

(Continued)

(f) ***C-2 "Securitization transactions"- Supersedes the provisions of standard C-2 "Securitization".***

This standard is amended as a result of changes in standard C-1 "Recognition and write-off of financial assets" described in the preceding paragraph. Also, this standard provides for additional conditions in securitization transactions such as the provision of the appraised value and administrative services for transferred financial assets, requiring specific standards for their recording, presentation and disclosure.

The application of this FRS has no significant effect.

(g) ***C-5 "Consolidation of special-purpose entities"***— This standard provides specific guidance concerning the consolidation of SPEs, defines specific concepts such as: control, joint control, significant influence, equity investment in the SPE, etc. and establishes the methodology for identifying SPEs which are subject to consolidation. The adoption of this standard did not have any significant effect on the financial statements.

(h) The Standard ***D-1 "Balance sheet" D-2, "Statement of income" and D-4 "Statement of cash flows",*** supersede the former Standard with a view to revising the consolidated financial statement presentation through the principal changes described below:

D-1 "Balance Sheet" – Certain balance sheet captions, including the following, are added and/or replaced: Margin accounts, debtors and creditors on sale and repurchase transactions, securities loans, derivatives for trading or hedging purposes, valuation adjustments from hedging of financial assets, benefits receivable in securitization transactions, long-lived assets available for sale and obligations in securitization transactions, collateral sold or pledged, etc. As a result, upon the adoption of this standard, the Group reclassified its balance sheet as of December 31, 2008 to conform to the balance sheet presentation as of December 31, 2009.

D-2 "Statement of income" – Concepts are modified and specified in order that they are presented in the minimum captions in the statement of income; current and deferred ESPS are incorporated within administrative and promotional expenses. Also, the caption Other operating income (expenses) is incorporated. As a result of the adoption of this standard, the Group reclassified its statement of income for the year ended December 31, 2008, to conform to the statement of income presentation for the year ended December 31, 2009.

(Continued)

D-4 "Statement of cash flows"- The consolidated statement of changes in financial position is superseded by the consolidated statement of cash flows. The consolidated statement of cash flows is primarily intended to provide financial statement users with information on the entity's ability to generate cash and cash equivalents as well as the manner in which entities use their cash flows to meet their requirements.

In compliance with Bulletin D-4, the Bank applies the indirect method, whereby the period's net results are either increased or decreased for the effects of transactions of items that do not have cash flows (except those affecting the balances of operating items), changes that occur in the balances of operating items, and for cash flows relating to investing or financing activities.

As a result of the adoption of this Standard, the Group has presented the consolidated statement of cash flows for the year ended December 31, 2009 and, separately, the consolidated statement of changes in financial position for the year ended December 31, 2008.

(i) Offsetting between financial assets and liabilities-

Standard A-3 "General rules", establishes that financial assets and liabilities shall be offset provided the contractual right to do so exists, as does the intention to settle net, or simultaneously realize the asset and extinguish the liability.

(j) Grading of consumer loans-

Pursuant to the provisions of transitory article two of the resolution that amends the general provisions applicable to credit institutions, published in the Official Gazette on August 12, 2009, issued by the Banking Commission, a new methodology is established applicable to the grading of credit card consumer loans, which considers the probability of default and the losses given default, based on the following factors:

- The history of the 12 most recent credit card customer payments (number of payments required to have been made).
- The number of years the customer has been a holder of a credit card.
- The size of credit line.
- The total accounts receivable of the credit card portfolio.
- The number/type of payments made over the most recent 12-month period.

(Continued)

This new methodology resulted in an increase in the credit card reserves compared with those calculated under the former methodology. The Banking Commission established two options for recording the initial effect for this change in methodology. The first option allowed for recognizing the difference in results of prior years, within stockholders' equity, the reserve increase being directly attributable to the change in methodology. The second option allowed for the capitalization of the effect due to the change in methodology, and to be amortized in income over a 24 month period, through the monthly amortization of credit card loan loss a reserves. The Bank opted for directly charging the difference of $264 to "Unappropiated retained earnings".

FRS Changes

The CINIF promulgated the FRS described below, which have been adopted to supplement the Banking Commission, effective for years beginning on and after January 1, 2009, early application is not permitted.

(k) ***FRS B-7 "Business combinations"***– supersedes Bulletin B-7 and establishes, among other things, general rules for the valuation and initial recognition at the date of acquisition of net assets, stating that business combinations should be accounted for under the purchase method.

The application of this FRS had no significant effect.

(l) ***FRS B-8 "Consolidated or combined financial statements"***– supersedes Bulletin B-8 "Consolidated and combined financial statements and valuation of investments in shares" and establishes general rules for the preparation and presentation of consolidated and combined financial statements, and their related disclosures. Amendments include:

(i) The obligation to consolidate special purpose entities (SPEs) where control exists.

(ii) The possibility, under certain conditions, to present unconsolidated financial statements, when a subsidiary has no minority interest or when minority shareholders do not have an objection to consolidated financial statements being issued.

(iii) To consider the existence of potential voting rights that might be exercised or converted in favor of the entity, in its capacity as holding Company, and that could change its involvement in decision-making at the point in time when the existence of control is being assessed.

(iv) Additionally, it refers to another bulletin concerning the valuation of permanent investments.

The application of this FRS had no significant effect.

(Continued)

(m) ***FRS C-7 "Investments in associates and other investments"***– sets forth the rules to account for investments in associates as well as other investments where control, joint control or significant influence is not exercised. The principal changes with respect to the former standard are;

(i) It establishes that the equity method of accounting is required for SPEs where significant influence exists.

(ii) Consideration is given to the existence of potential voting rights that might be exercised or converted in favor of the entity, in its capacity as the holding Company, and that may change its involvement in decision-making at the time of assessing the existence of significant influence.

(iii) It establishes a specific procedure for and a limit to the recognition for the losses of the associate.

The adoption of this FRS meant that permanent investments where less than 25% of the voting power is held, were valued at acquisition cost rather than through equity method as at 31 December 2008. The amount of these investments recognized in income was $51.

(n) ***FRS C-8 "Intangible assets"***- Supersedes Bulletin C-8 and establishes general rules for the initial and subsequent recognition of intangible assets that are purchased individually, through the acquisition of a business or generated internally in the normal course of operations of the entity. The main changes of this Standard are:

(i) Redefinition of intangible assets, establishing that separability is not the only condition for the intangible asset to be identifiable;

(ii) Subsequent outlays for research and developments in progress should be recorded as expenses if they are part of the research phase or recorded as an intangible asset if they meet the criteria to be recognized as such;

(iii) The asset transfer accounting treatment is analyzed in more detail, in accordance with international Standards and others FRS's;

(Continued)

(iv) The presumption that the useful life of an intangible asset may not exceed twenty years was eliminated;

The application of this FRS had no significant effect.

(o) ***FRS D-8 "Share-based payments"-*** Eliminates the supplementary application of International Financial Reporting Standard (IFRS) 2, and establishes how to account for share-based payment transactions.

The application of this FRS had no significant effect.

Changes which became effective in 2008

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

(p) ***Consumer loan portfolio rating -***

On August 22, 2008, the Ministry of Finance and Public Credit published in the Federal Official Gazette the Resolution amending the general Regulations applicable to credit institutions. Article 91. Section II of this circular contains the table to which credit institutions must adhere to in order to rate, create and record the allowances for loan losses related to the revolving consumer loan portfolio. In accordance with Transitory Article Two of the resolution, credit institutions must adhere to the table of Article 91, section II no later than the last day of October 2008. In this regard, the Bank opted for the early recording of $46 in June 2008, and then at the date of the enforcement of the new regulation, the remaining effects were recorded in the Bank's consolidated financial statements, in order to cover the total amount arising from the change in the regulations mentioned above. As of December 31, 2008, the total impact from this change in the regulations amounted to $179, and was recognized in the income of that year.

FRS Changes

The CINIF promulgated the FRS that are described below, which have been adopted to supplement the Banking Commission, and are effective for years beginning on January 01, 2008, early application is not permitted.

(q) ***FRS B-10 "Effects of inflation" -*** FRS B-10 supersedes Bulletin B-10 "*Recognition of the effects of inflation on the financial information*" and its five amendment documents, as well as the related circulars and Interpretation of Financial Reporting Standards (IFRS) 2. The principal considerations established by this FRS are analyzed on the next page.

(Continued)

(i) Recognition of the effects of inflation – An entity operates in a) an inflationary economic environment when cumulative inflation over the immediately preceding three-years period is equal to or greater than 26%; and b) non-inflationary economic environment, when inflation over the aforementioned period is less than 26%.

For case a), the comprehensive recognition of the effects of inflation is required, (similarly to Bulletin B-10 being superseded). For case b), the effects of inflation are not recognized; however, at the effective date of this FRS and when an entity ceases to operate in an inflationary economic environment, the restatement effects determined through the last period in which the entity operated in an inflationary economic environment (in this case 2009 and 2008), must be kept and shall be reclassified on the same date and using the same procedure as that of the corresponding assets, liabilities and stockholders' equity. Should the entity once more operate in an inflationary economic environment, the cumulative effects of inflation not recognized in the periods where the environment was deemed as non-inflationary should be recognized retrospectively.

(ii) Price index – the use of the INPC or the change in the value of the Investment Unit (UDI) may be used for determining the inflation for a given period.

(iii) Valuation of inventories and of foreign machinery and equipment – The possibility of using replacement costs for inventories and specific indexation for foreign machinery and equipment is no longer allowed.

(iv) Equity adjustment for non-monetary Assets – On the effective date of this FRS, the unrealized portion of the equity adjustment for non monetary assets, which is maintained in stockholders' equity, should be reclassified to earnings for the year when the originating item is realized. The realized portion or the total when it is not practical to identify the realized portion, should be reclassified to retained earnings.

(v) Monetary position gains or losses (included in deficit/excess of the equity restatement) will be reclassified to retained earnings on the effective date of this FRS.

As a result of the adoption of this FRS as of January 1, 2008, the Group suspended the recognition of the effects of inflation as it operated in a non-inflationary economic environment. Additionally, the Group reclassified $825 of "Equity adjustment for non-monetary assets" to "Retained earnings," as a result of the valuation of property, furniture and equipment, and the valuation of permanent investments in shares, because it was not possible to identify the unrealized portion of the relevant equity adjustment for non-monetary assets, and in conformity with the Standard issued by the Banking Commission on February 15, 2008, as reported on the consolidated statement of changes in stockholders' equity.

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(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.

The Bank has been authorized by the Central Bank to maintain a larger long position, which includes a capital hedge of up to 50 million dollars in 2009 and 2008. Accordingly, as of December 31, 2009 and 2008, the Bank's and the Brokerage firm's long position is within the authorized limits.

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

	2009	2008
Assets	2,006	1,495
Liabilities	(2,015)	(1,502)
Short position	(9)	(7)

At December 31, 2009, the short foreign currency position consists of 82% in US dollars (90% in 2008), and 18% in other foreign currencies (10% in 2008).

At December 31, 2009 and 2008, the exchange rate of the peso to the dollar was $13.0659 and $13.8325, respectively, and on February 15, 2010, the date on which the issuance of the consolidated financial statements was authorized, it was $12.9420.

(5) Cash and cash equivalents-

Cash and cash equivalents at December 31, 2009 and 2008, are analyzed as follows:

		2009	2008
Cash in hand	$	2,182	2,199
Deposits with domestic and foreign banks		6,564	4,836
Three-day interbank call money		2,618	3,444
24 and 48-hour foreign currency sales		(1,016)	(1,082)
Other funds available		143	119
Restricted funds:			
Deposits with the Central Bank		13,381	12,849
24 and 48-hour foreign currency purchase		930	517
	$	24,802	22,882

(Continued)

On August 1, 2008, the Central Bank issued Circular 36/2008, which provides for the termination of deposits for monetary regulation maintained by credit institutions with the Central Bank, and the obligations of those institutions to create a new deposit for monetary regulation resulting from prorating the amount of $280,000 based on the liabilities arising from national currency and UDI denominated funding. On August 4, 2008, the Central Bank established, in relation to the Bank's liabilities computed as of July 8, 2008, the obligation to set up a deposit for monetary regulation for the amount of $12,787. Therefore, given that at the aforementioned date the Bank maintained a deposit for monetary regulation of $12,403, the net balance deposited in 2008 amounted to $384.

At December 31, 2009 and 2008, the deposits with the Central Bank relate to deposits for monetary regulation amounting to $12,787, bearing interest at the average bank funding rate, with no maturity.

At December 31, 2009 and 2008, the Group had the following three-day interbank loans (Call money

Institution	2009			2008		
	Amount	Rate	Term	Amount	Rate	Term
Banco Santander Serfin, S. A.	$ 1,118	4.50%	3 days	$ 2,000	8.28%	2 days
Banco Nacional de Obras y Servicios Públicos, S.N.C.	1,500	4,65%	3 days	–	–	–
BBVA Bancomer, S. A.	–	–	–	1,439	8.10%	2 days
Accrued interest	–	–	–	5	–	–
	$ 2,618			$ 3,444		

At December 31, 2009 and 2008, 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	
	2009	2008	2009	2008
Dollar	$ 857	349	902	922
Other currencies	73	168	114	160
	$ 930	517	1,016	1,082

(Continued)

(6) Investment securities-

(a) Composition-

At December 31, 2009 and 2008, the Group's investment securities are as follows:

		Fair Value	
		2009	2008
Trading:			
Debt securities:			
Government securities	$	17,292	15,184
Bank promissory notes		7,276	7,719
Shares		857	731
		25,425	23,634
Available-for-sale			
Debt securities:			
Government securities		6,359	8,314
Bank promissory notes		1,111	1,110
Others[1] [2]		943	899
Shares		349	278
		8,762	10,601
Held-to-maturity:			
Special CETES of the UDI Trust:			
Domestic productive plant		–	60
Residential mortgages		1,804	1,713
		1,804	1,773
Others		–	128
		1,804	1,901
Total investment securities	$	35,991	36,136

[1] [2] see explanation on the next page.

(Continued)

(1) Includes 1,937,778 amortizing certificates of investment acquired by the Bank in 1995, which pay cash flows with resources from toll fees, the certificates were originally recorded at $194 under "Held-to-maturity securities" and the value was subsequently written down to $19 in that year. In March 2008, the Bank removed the certificates from the "Held-to-maturity securities" category and transferred them to the "Available-for-sale securities" category due to the Bank's intention to sell those certificates. When effecting the transfer of category, the certificates were recorded at the original acquisition cost of $194, as a result of having reasonable recovery estimates higher than the acquisition cost, recording in results of operation for the year a $175 recovery under "Other income".

As of December 31, 2008, the certificates were recorded at fair value by applying an internal valuation model as there are no recognized market quotations available, and as of December 31, 2009, were recorded at fair value provided by an independent price vendor, which represented a loss of $130.

(2) At the 2009 fiscal closing, a charge to income was recognized by way of impairment of a portion of the position held as available for sale, in view of the following events:

- The issuer shows signs of having undergone significant financial hardship.
- It is highly likely that the issuer will undergo financial restructuring.
- Contract clauses were breached such as defaulting on the payment of principal and interest thereon.

At December 31, 2009, the impairment amount of $121 was determined as the difference between the value at which the securities were initially recognized and their fair value at December 31, 2009, which was recorded in the consolidated statement of income under "Intermediation income".

(b) At December 31, 2009 and 2008, debt securities relating to government securities and bank notes classified as trading and available-for-sale securities, are analyzed on the next page.

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		2009	2008
Trading:			
Debt securities:			
Government securities:			
CETES	$	50	59
IPBPAS		10	158
IT BPAT		6	35
BONOS M		–	10
		66	262
Bank's value date sales:			
BONOS M		(1,248)	(23)
BI CETES		(293)	–
IT BPAT		(15)	–
		(1,556)	(23)
(Assigned securities to be settled) unrestricted securities	$	(1,490)	239
Own position:			
BONOS M	$	19	–
IT BPAT		81	16
IP BPAS		–	83
UMS		89	–
CETES		407	317
LS BONDES D		–	33
		596	449
Brokerage Firm's value date sales:			
CETES		(3)	–
M BONOS		(27)	(2)
		(30)	(2)
Total unrestricted securities, carried forward	$	566	686

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		2009	2008
Trading (continued):			
Total unrestricted securities, brought forward	$	566	686
Restricted securities:			
Under repurchase/resell agreements:			
CFECB	$	105	139
CETES		4,342	2,436
BPAS		2,253	1,591
BPA		417	580
BPAT		1,561	375
BONDESD		6,753	8,258
BONOS M7		–	2
BONOS M		803	255
BONOS M0		4	169
UDIBONO		240	–
LS BOND 182		28	310
		16,506	14,115
Value date purchases:			
BONOS M		203	–
BI CETES		3	41
Others restricted securities:			
CETES		14	342
Total government securities	$	17,292	15,184
Bank promissory notes:			
INBURSA	$	2,496	–
BANOBRA		1,937	403
BANSAN		–	2,301
BAMMSA		–	900
HSBCMX		-	993
		4,433	4,597
Restricted securities:			
Under repurchase/resell agreements:			
BACMEXT		43	225
NAFIN		993	1,056
CBPC		–	389
CBUR		320	595
PRLV		1,482	740
		2,838	3,005
Others restricted securities:			
BANOBRA		5	14
BACMEXT		–	103
Total bank promissory notes	$	7,276	7,719

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		2009	2008
Trading (continued):			
Shares:			
NAFTRAC	$	189	18
SCOTIA G		350	272
Others		18	73
		557	363
Value date sales:			
NAFTRAC		(122)	–
Others		(91)	–
		(213)	–
Restricted securities:			
Under repurchase/resell agreements:			
SCOTIA G		152	89
Others		–	50
		152	139
Securities loan:			
SCOTIA G		141	103
Others		–	77
		141	180
Others restricted securities:			
NAFTRAC		24	33
AMX		–	16
AMX		52	–
		76	49
Value date purchases:			
NAFTRAC		58	–
BILLTICK		33	–
Others		53	–
		144	–
Total shares	$	857	731

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		2009	2008
Available-for-sale:			
Debt securities:			
Government securities:			
MMVCB	$	2,921	3,996
MEXF54		2,017	529
MEXH11		364	-
MEXK40		369	-
MEXQ10		73	-
MEXX60		75	-
PEMEJ73		235	-
BONOS M		96	2,739
BONOS M0		-	1,050
		6,150	8,314
Value date purchases (restricted securities):			
MEXMH11		105	-
PEMEJ73		104	-
		209	-
Total government securities	$	6,359	8,314
Bank promissory notes:			
Own position:			
BACOMER	$	1,003	1,006
CITIGROUP		61	61
CA51		47	43
Total bank promissory notes	$	1,111	1,110
Others debt securities:			
Own position:			
VIPESA	$	370	500
MOLYMET		192	-
CINMOBI		2	-
BNPPPF		200	-
ALMACO		-	78
CASITA		98	49
FACTOR		-	209
NAVISTS		-	59
CBUR		17	-
PATRIMO		64	4
Total others debt securities	$	943	899

(Continued)

Available-for-sale (continued):		**2009**	**2008**
Shares:			
Restricted securities BOLSA	$	219	144
Others		130	134
Total shares	$	349	278

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

At December 31, 2009 and 2008, the investments in the same non-government issuer of debt securities over 5% of the Bank's net capital are analyzed as follows:

		2009	**2008**
INBURSA	$	2,496	–
BANOBRA		1,650	–
BANSAN		–	2,301

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

At December 31, 2009 and 2008, investments in debt securities other than government securities of the same issuer exceeding 5% of the Brokerage Firm's global capital are as follows:

Issue	**Number of Certificates**	**Rate**	**Term (days)**		**Amount**
December 31, 2009					
BANOBRA 10011	292,185,553	4.50%	4	$	292
December 31,2008					
BANOBRA 08525	417,278,850	8.15%	2	$	417
BANCMEXT 09184	105,862,207	7.82%	358		103
				$	520

(Continued)

(7) Securities under repurchase/resell agreements-

At December 31, 2009 and 2008, the "Debtors under repurchase/resell agreements" balances in which the Group acting as repurchasee, are analyzed as follows:

		2009	2008
Debtors under repurchase/resell agreements:			
BPAS	$	5,296	2,969
BPAT		5,356	13,554
IS BPA 182		7,014	502
BONOS M		2,854	13,724
BONOS MO		3,300	818
BI CETES		-	473
LD BONDESD		15,394	16,151
LS BONDESD		-	88
BONOS M7		-	619
LS BONDESD		-	14
CETIM		3,816	1,179
		43,030	50,091
Collateral sold or pledged:			
LD BONDESD		(15,394)	(16,137)
LS BONDESD		-	(102)
BONOS M		(4,316)	(13,724)
BONOS MO		(1,838)	(818)
BONOS M7		-	(619)
BPA 182		(7,008)	(501)
BI CETES		-	(473)
IT BPAT		(5,355)	(13,553)
BPAS		(4,298)	(2,969)
CTIM		(3,816)	(1,179)
		(42,025)	(50,075)
Receivables under resell agreements (debtor balance)	$	1,005	16

(Continued)

At December 31, 2009 for the Bank, maturities of sale and repurchase transactions vary between 4 and 91 days (2 and 91 days in 2008) with weighted rates of 4.54% acting as repurchasee, and 4.51% acting as repurchaser (8.22% and 8.09% in 2008, respectively). At December 31, 2009 for the Brokerage Firm, the terms of the repurchase/resale agreements range from 4 to 91 days (2 to 142 days in 2008) with weighted rates of 4.47%, when acting as reselling party, and 4.58% when acting as repurchasing party (8.25% and 8.10% in 2008, respectively).

During the years ended December 31, 2009 and 2008, interest or premiums collected amounted to $5,697 and $8,142 respectively; interest or premiums paid amounted to $5,539 and $8,070, respectively, and are included in the consolidated statements of income under "Interest income" and "Interest expense", respectively.

At December 31, 2008, the Group received government securities as guarantee for over three-day repurchase agreements, which were included and recorded in memorandum accounts in "assets in custody or under management", and are analyzed as follows:

Issuer	Issue	Number of certificates	Market value
2008			
Guarantees received:			
IP Bpas	091203	75,216	$ 8
IT Bpat	130502	499,828	50
IT Bpat	090129	363,664	37
IT Bpat	090226	49,718	5
BI Cetes	090604	640,845	6
BI Cetes	090212	352,233	3
LD Bondes D	100805	702,080	70
Total guarantees received			$ 179

(Continued)

Securities lending and borrowing:

At December 31, 2009 and 2008, the Group had entered into the following securities lending and borrowing transactions:

	Number of Certificates	Fair value
December 31, 2009:		
Bnaftrac02	1,428,000	$ 46
Elektra *	2,632,000	6
Simecb	35,000	1
Gmodeloc	9,005	7
Cemexcpo	90,000	41
Sorianab	500,000	16
Comerciubc	150,000	2
Ichb	60,000	3
Telintl	900,000	10
		$ 132
December 31, 2008:		
G Mexico B	335,000	$ 5
Amx L	221,000	5
Cemex CPO	1,000,000	13
Elektra *	24,100	14
Gcarso A1	52,000	2
G Famsa A	800,000	7
G Modelo C	100,000	4
Ich B	70,000	3
Telecom A1	127,000	7
Telmex L	2,487,800	36
		$ 96

(Continued)

Securities loan transactions at December 31, 2009 and 2008 mature from January 3 to 7, 2010 and on January 2, 5 and 6, 2009, respectively and their average weighted terms at December 31, 2009 and 2008 are 7 and 16 days, respectively.

At December 31, 2009 and 2008, securities for $141 and $180, respectively, were delivered as guarantee in connection with securities loan transactions where the Brokerage Firm acted as borrower.

For the years ended December 31, 2009 and 2008, premiums collected and paid in respect of securities loan transactions totaled $6 and $4 in both years, and are included in the statement of income in the captions of "Interest income" and "Interest expense", respectively.

(8) Derivatives-

At December 31, 2009 and 2008, the valuation of derivative financial instruments for trading and hedging purposes recognized under "Derivatives ", is analyzed as follows:

		2009		2008	
		Assets	**Liabilities**	**Assets**	**Liabilities**
Trading purposes:					
Foreign currency forward contracts	$	75	63	225	115
Futures		3	1	2	1
Options		31	309	3	1,781
Interest rate swaps		1,701	1,711	1,164	1,254
		1,810	2,084	1,394	3,151
Hedging purposes:					
Fair value hedges		1	257	55	249
Cash flow hedges		188	18	107	-
		189	275	162	249
	$	1,999	2,359	1,556	3,400

For the year ended December 31, 2009 and 2008, the amount of losses recognized in income arising from the impairment of financial instruments for hedging purposes amounted to $6 and $5, respectively.

As for instruments used for cash-flow hedging purposes, the net (loss) gain derived from their ineffectiveness $(6) and $9 and is included in the results of operations for the year ended December 31, 2009 and 2008, respectively, under "Financial intermediation income", while the effect from the valuation relating to the effective hedge portion at December 31, 2009 and 2008, which amounts to $218 ($147 net of the deferred tax effect) and $102 ($62 net of the deferred tax effect), respectively, is presented in stockholders' equity.

The net estimated effect of gains and losses arising from derivative transactions presented under stockholders' equity at December 31, 2009 and 2008, which are expected to be reclassified to income within the following twelve months amounts to $54 and $42, respectively.

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At December 31, 2009 and 2008, the caption of "Financial intermediation income", includes $21 and $63, respectively, relating to the valuation of derivatives for fair value hedging purposes.

At December 31, 2009 and 2008, did not have hedge positions arising from forecasted future transactions.

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, 2009 and 2008 are analyzed as follows:

		2009		
Type of instrument		**Hedging purposes**	**Trading purposes**	**Total**
Interest rate:				
Bought:				
Futures:				
TIIE	$	–	14,528	14,528
CETES		–	2,500	2,500
Swaps		3,650	61,330	64,980
	$	3,650	78,358	82,008
Sold:				
Futures:				
TIIE	$	–	7,900	7,900
Bonos		–	534	534
Swaps		8,457	58,193	66,650
	$	8,457	66,627	75,084

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Type of instrument	2009		
	Hedging purposes	Trading purposes	Total
Bought:			
Swaps (in millions of dollars)	–	313	313
Sold:			
Swaps (in million of dollars)	200	314	514
Stock options:			
Options (*):			
Sold	–	(286)	(286)
OTC options(*):			
Bought	–	21	21
Sold	–	(7)	(7)
	–	14	14
Foreign exchange:			
(In millions of dollars):			
Bought:			
Forward contracts	–	367	367
Options	–	60	60
	–	427	427
Sold:			
Forward contracts	–	351	351
Options	–	63	63
	–	414	414
(In millions of euros)			
Bought:			
Forward contracts	–	7	7
Sold:			
Forward contracts	–	7	7

(*) Market value of premiums collected.

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	2008		
Type of instrument	**Hedging purposes**	**Trading purposes**	**Total**
Interest rate:			
Bought:			
Futures:			
TIIE	$ –	18,057	18,057
M-10	–	1,400	1,400
Swaps	4,090	50,215	54,305
	$ 4,090	69,672	73,762
Sold:			
Futures:			
TIIE	$ –	1,769	1,769
Swaps	4,685	50,581	55,266
	$ 4,685	52,350	57,035
Bought:			
Swaps (in millions of dollars)	–	253	253
Sold:			
Swaps (in millions of dollars)	217	254	471
IPC:			
Bought:			
Futures	$ –	5	5
Sold:			
Futures	$ –	80	80
Options (*)	–	1,643	1,643
	$ –	1,723	1,723
Stock options:			
Bought:			
Options(*)	$ –	2	2
Sold:			
Options (*)	$ –	137	137

(*) Fair value of collected premiums.

(Continued)

Type of instrument		2008 Hedging purposes	2008 Trading purposes	2008 Total
Foreign exchange (in millions of dollars):				
Bought:				
Forward contracts	$	–	190	190
Sold:				
Forward contracts	$	–	276	276

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

At December 31, 2009, of the total transactions there are 57 (33 in 2008) designated as cash flow hedges that total $7,470 ($4,090 in 2008) and are converting 28 days liabilities classified as cash flows hedges; the remaining $7,255 ($7,688 in 2008) are designated as fair value hedges.

In general, the reduction of market risk has an impact on the financial margin as the revenue gaps are closed (funding long-term fixed-rate loans with short-term liabilities) and, as a result, the benefits from the increase in the margin are reduced when short-term rates fall. At December 31, 2009, with an average TIIE rate of 5.90% (8.27% in 2008), it is estimated that, the financial impact of not having accounted for these derivatives would have been a reduction in margin of $101 millions ($112 nominal in 2008) (unaudited figure).

At December 31, 2009 and 2008, the Brokerage Firm issued European options (that can only be exercised at their maturity) in renowned markets and on a group of shares. The fair value of these options amounted to $286 and $137, respectively and, for the year 2008 of Mexican Stock Exchange IPC shares with a fair value of $1,643.

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(9) Loan portfolio-

(a) Classification of loan portfolio by currency-

At December 31, 2009 and 2008, the classification of loans into current and past due by currency, which includes the restructured portfolio in UDI Trusts, is analyzed as follows:

	2009		2008	
	Current	**Past due**	**Current**	**Past due**
In assets:				
Pesos:				
Business or commercial activity	$ 24,069	429	25,194	207
Financial institutions	2,736	4	3,923	1
Consumer loans	17,319	1,231	19,499	1,509
Residential mortgages	37,692	2,106	32,413	1,711
Government entities	6,754	–	4,866	–
	88,570	3,770	85,895	3,428
Foreign currency:				
Business or commercial activity	6,874	23	9,007	44
Financial institutions	50	–	1	–
Residential mortgages	189	5	97	–
	7,113	28	9,105	44
Denominated in UDIS:				
Residential mortgages	436	140	643	124
	96,119	3,938	95,643	3,596
	100,057		99,239	
In memorandum accounts:				
Loan commitments	2,244		3,164	
	$ 102,301		102,403	

(Continued)

(b) Classification of loan portfolio by economic sector-

At December 31, 2009 and 2008, credit risk (including loans, guarantees and loan commitments, see note 20) classified by economic sector and the percentage of concentration are analyzed as follows:

	2009		2008	
	Amount	%	Amount	%
Community, social and personal services, mainly government entities	$ 10,406	10	8,191	8
Construction and housing	45,986	45	40,268	38
Financial, insurance and real estate services	4,545	5	6,845	7
Manufacturing	7,263	7	9,957	10
Commerce and tourism	11,748	12	11,803	12
Consumer loans and credit cards	18,550	18	20,995	21
Agriculture, forestry and fishing	2,463	2	2,315	2
Transportation, warehousing and communication	1,084	1	1,772	2
Other	256	-	257	-
	$ 102,301	100	102,403	100

(c) Acquisition of consumer loans-

On April 11, 2006, the Bank acquired consumer (automobile) loans from a non-banking entity (SOFOL), with a contractual value of $3,219 for an agreed-upon price consisting of two portions: the first fixed portion of $3,076 paid on the acquisition date and a second portion consisting of an amount determinable based on a comparison between monthly and projected collections but which may not exceed $360. The difference between the contractual value and the first portion of the agreed price was recognized as a deferred premium of $143, which is being amortized over a period equal to the remaining term of the loans and the determinable liability shall be payable at the end of such term. At December 31, 2009, the amortized amount, corresponding to the deferred premium amounts to $137 while the balance of the liability computed based on monthly collection trends amounts to $148, which was liquidated in January 2010.

The SOFOL is charged with managing the loan portfolio and sends the necessary information to the Bank on a daily basis for accounting purposes; for this service the Bank pays an annual fee of 1%, computed on the outstanding average balance of the loan portfolio.

At December 31, 2009 the outstanding balance of this portfolio amounts to $129 ($417 in 2008).

(Continued)

(d) Loans to government entities-

At December 31, 2009 and 2008, loans granted to government entities are analyzed as follows:

		2009	2008
Autonomous entity loan	$	1,239	175
Receivables under financial support programs		231	465
Governments, municipalities and state secretariats		5,284	4,226
Total loans to government entities	$	6,754	4,866

Debtor support programs:

As a result of the economic crisis in 1995, the Mexican government and the Mexican Bankers' Association (Asociación de Banqueros de México, A. C.) established loan support programs and agreements, to assist debtors of credit institutions in meeting their obligations. The programs and agreements established were as follows:

- Immediate Support Program for Bank Debtors (ADE).
- Credit Support Program for the Domestic Productive Plant (PACPPN).
- Financial Support and Promotion for Micro, Small and Medium-sized Companies (FOPYME).
- Financial Support to the Agricultural, Cattle-raising and Fishery Sector (FINAPE).
- Additional Benefits to Housing Loan Debtors (BADCV).
- Additional Benefits to Housing Loan Debtors FOVI type (BACVF).

Subsequently, other programs were established such as the Benefits for Bank Debtors of the Agricultural, Cattle-raising and Fishery Sector, the Benefits for Corporate Loan Debtors and the Agreement for Benefits to Housing Loan Debtors (Punto Final).

The financial support programs and agreements consist of discounts granted to debtors, which are generally absorbed proportionately by the Mexican government and the Bank, in accordance with the terms of each program. Certain discounts are conditional subject to the net cash flows contributed by the Bank to the specific economic sector. The amounts receivable from the Federal Government on discounts granted in connection with the BADCV and BADCVF, programs, as of December 31, 2009 and 2008 amount to $231 and $465, respectively.

The Bank's cost associated with the various debtor support programs and agreements for the years ended December 31, 2009 and 2008 amount to $20 and $47, respectively corresponding to the residential mortgages program.

(Continued)

(e) ***UDI Trusts restructured loans-***

The Bank participated in several loan-restructuring programs established between the Mexican government and the Mexican banks. The Bank underwrote restructuring programs that consisted mainly of changing peso-denominated loans to UDIS through trusts created with funding provided by the Central Bank. At December 31, 2009 and 2008, the outstanding balances of restructured loans under UDI Trusts are analyzed as follows:

	2009		
	Loan portfolio		Average annual
	Current	Past due	interest rate
Residential mortgages	$ 435	137	8.90%
Loans to individuals	1	3	9.25%
	$ 436	140	

	2008		
	Loan portfolio		Average annual
	Current	Past due	interest rate
Residential mortgages	$ 633	116	8.90%
Loans to individuals	10	8	9.65%
	$ 643	124	

(f) ***Additional loan portfolio information-***

Annual weighted lending rates:

Annual weighted loan interest rates during 2009 and 2008 were as follows:

	2009	2008
Commercial loans*	7.93%	8.79%
Personal loans	15.90%	16.00%
Credit cards	26.16%	29.07%
Residential mortgages	11.67%	11.45%

* Includes commercial, financial and government entities loans.

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., Banco Nacional de Comercio Exterior (Bancomext) and Fideicomisos Instituidos en relación con la Agricultura (FIRA) by rediscounting loans with recourse. At December 31, 2009 and 2008, the amount of loans granted under these programs totaled $3,676 and $4,308, respectively, and the related liability is included in "Bank and other loans" (see note 15).

(Continued)

Restructured loans:

At December 31, 2009 and 2008, restructured and renewed loans are analyzed as follows:

	Current loans	Past due loans	Total
2009			
Commercial loans	$ 1,730	102	1,832
Residential mortgages	4,227	395	4,622[1]
Personal loans	160	268	428
	$ 6,117	765	6,882
2008			
Commercial loans	$ 412	123	535
Residential mortgages	1,975	49	2,024[1]
Personal loans	4	-	4
	$ 2,391	172	2,563

During the years 2009 and 2008, no past due interest was capitalized.

[1] From the total balance of restructured and renewed residential mortgage loans as of December 31, 2009 and 2008, there were no additional guaranties obtained.

Risk concentration:

At December 31, 2009 and 2008, there were no balances due from one individual debtor that exceeded 10% of the Bank's basic capital. The balance of the loans granted to the three largest debtors as of December 31, 2009 and 2008, amount to $3,502 and $4,369, respectively.

Past due loan portfolio:

An analysis of past due loans at December 31, 2009 and 2008, from the date the loans went past due, is summarized below:

	90 to 180 days	181 to 365 days	1 to 2 years	Over 2 years	Total
December 31, 2009					
Commercial *	$ 71	263	47	75	456
Consumer	1,015	143	33	40	1,231
Residential mortgages	1,207	547	314	183	2,251
	$ 2,293	953	394	298	3,938

(Continued)

	90 to 180 days	181 to 365 days	1 to 2 years	Over 2 years	Total
December 31, 2008					
Commercial*	$ 138	5	43	66	252
Consumer	1,301	151	36	21	1,509
Residential mortgages	966	558	166	145	1,835
	$ 2,405	714	245	232	3,596

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

The movement in the past due loan portfolio for the years ended December 31, 2009 and 2008 is summarized below:

	2009	2008
Balance at beginning of year	$ 3,596	2,744
Settlements	(17)	(305)
Write-offs and debt forgiveness	(3,006)	(2,209)
Net increase	3,358	3,316
Foreign exchange fluctuation	7	50
Balance at end of year	$ 3,938	3,596

Nominal interest on the past due loan portfolio not recognized in results of operations for the year ended December 31, 2009 amounted to $152 ($114 in 2008).

For the years ended December 31, 2009 and 2008, the Bank opted for eliminating from assets those past due loans that had been reserved in full for $2,759 and $2,061, respectively. In both cases there was no application of reserves for related loans.

Impaired loans:

The balance of impaired commercial loans as of December 31, 2009 and 2008 was $968 and $967, of which $512 and $715 are recorded in current loans, and $456 and $252 are recorded in past due loans, respectively.

As of December 31, 2009 and 2008, the Bank's loan portfolio includes a $250 loan extended to a business concern, which was 100% provided for as a result of the application of the rating methodology.

(g) ***Allowance for loan losses-***

As explained in notes 2(k) and 23(c), the Bank 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, 2009 and 2008, the allowance for loan losses classified between general reserves and specific reserves according to the criteria mentioned in note 2(k), is as follows;

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Loan portfolio		2009 General	2009 Specific	2008 General	2008 Specific
Commercial*	$	195	1,099	225	966
Consumer		67	1,410	56	1,576
Residential mortgages		123	1,010	105	844
	$	385	3,519	386	3,386
		$ 3,904		3,772	

At December 31, 2009, 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	$	21,758	12,824	35,205	69,787
A-2		9,309	–	–	9,309
B and B-1		9,712	4,120	3,929	17,761
B-2		895	–	–	895
B-3		196	–	–	196
C and C-1		335	541	390	1,266
C-2		42	–	–	42
D		–	782	966	1,748
E		464	283	78	825
Total graded portfolio	$	42,711	18,550	40,568	101,829
Allowance for loan losses					
A and A-1	$	105	67	123	295
A-2		90	–	–	90
B and B-1		440	351	154	945
B-2		82	–	–	82
B-3		33	–	–	33
C and C-1		78	226	126	430
C-2		17	–	–	17
D		–	579	655	1,234
E		449	254	75	778
Allowance for graded loans	$	1,294	1,477	1,133	3,904
Additional reserves for past due interest					79
Operational risk reserve					90
Additional identified reserves					6
Total allowance for loan losses					$ 4,079

* Includes commercial, financial institutions and government entities loans.

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At December 31, 2008, 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	$ 24,494	11,218	30,133	65,845
A-2	11,108	–	–	11,108
B and B-1	8,305	7,937	3,623	19,865
B-2	604	–	–	604
B-3	611	–	–	611
C and C-1	133	711	378	1,222
C-2	19	–	–	19
D	4	778	824	1,606
E	413	351	44	808
Total graded portfolio	$ 45,691	20,995	35,002	101,688
Allowance for loan losses				
A and A-1	$ 117	56	105	278
A-2	108	–	–	108
B and B-1	377	324	121	822
B-2	43	–	–	43
B-3	81	–	–	81
C and C-1	42	351	123	516
C-2	8	–	–	8
D	4	568	559	1,131
E	411	333	41	785
Allowance for graded loans	$ 1,191	1,632	949	3,772
Additional reserves for past due interest				65
Operational risk reserve				38
Additional identified reserves				13
Total allowance for loan losses				$ 3,888

* Includes commercial, financial institutions and government entities loans.

(Continued)

The movement in the allowance for loan losses for the years ended December 31, 2009 and 2008 is summarized below:

		2009	2008
Balance at beginning of year	$	3,888	3,176
Provisions charged to results of operations		2,954	3,023
Provisions charged to unappropiated retained earnings		264	–
Write-offs and forgiveness of debt		(3,026)	(2,387)
Other		(1)	76
Balance at end of year	$	4,079	3,888

A reconciliation between the total graded portfolio and total credit risk, including recognized in memorandum accounts as of December 31, 2009 and 2008, is analyzed as follows:

		2009	2008
Total portfolio graded	$	101,829	101,688
Fair value of covered portfolio		241	250
Portfolio not including creditors under support programs		231	465
Total of credit risks	$	102,301	102,403

(10) Collection rights-

Automobile portfolio

As explained in note 1, paragraphs (g) and (h), during 2007 and 2008, the Bank executed three agreements with a SOFOL, whereby it undertakes to acquire the collection rights corresponding to the private securitization of the automobile portfolio placed in trust by the SOFOL through single issue certificates (replaceable promissory note), recorded in "Other accounts receivable, net". Transactions have a maturity of seven years and the Bank may, during the first two years, acquire more collection rights at the request of the SOFOL, through the exchange of the respective replaceable promissory note.

(Continued)

Acquisitions, collections and balance of collection rights, is shown as follows:

	Acquired amount		Collection		Replaceable promissory note	Accrued interest	Balance of collection
Year	for the year	accrued	for the year	accrued	outstanding	un paid	rights
First purchase agreement of receivables							
2007	$ 3,227	3,227	133	133			
2008	2,303	5,530	1,463	1,596			
2009	1,368	6,898	1,965	3,561	3,337	24	3,361
Third purchase agreement of receivables							
2008	$ 3,760	3,760	233	233			
2009	1,114	4,874	2,203	2,436	2,438	15	2,453
Total collection rights					$ 5,775	39	5,814

Promissory notes of the first and third acquisition agreement mature on September 25, 2014 and May 30, 2016, respectively. Collection rights of the first acquisition agreement earn a yield equal to the equilibrium interbank interest rate (TIIE) plus 3.25 basis points (plus 0.54 basis points up to September 2009), while the collection rights of the third acquisition earn yields equal to the TIIE rate plus 2.125 basis points.

Derived from this transaction, for the year ended December 31, 2009 and 2008, the Bank recognized in income, revenues of $16 and $3, respectively, corresponding to the fee for the unused credit line and structuring as well as revenues for $544 and $461, respectively, for interest earned, which are included in the income statement under "Other income".

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, 2009 and 2008 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.

In connection with the second agreement for the acquisition of collection rights, in May 2008 $1,000 was drawn, which was settled in September 2008. Interest the Bank earned for this transaction amounted to $32 and was recorded in income under "Other income".

(Continued)

Mortgage portfolio

On March 13, 2008, the Bank carried out a mortgage portfolio securitization transaction through the issue of stock certificates for $2,500 with a 20 year maturity and an interest rate of 9.15%. As part of the consideration for this transaction the Bank received a trust certificate, which at December 31, 2009 and 2008 had a value of $219, and is recorded as a collection right in "Other accounts receivable, net" and is valued under the cost recovery method.

According to the Bank's management, there is no need to create an allowance for irrecoverability of collection rights for the years ended December 31, 2009 and 2008 because no events have occurred that necessitate a change to recorded book value. The expected cash flows were calculated using the net present value of the remaining securitized portfolio cash flows, projected by the Bank, using a market discount rate.

(11) Foreclosed assets-

At December 31, 2009 and 2008, foreclosed assets are analyzed as follows:

		2009	2008
Movable property	$	1	–
Premises		106	108
Asset under enforceable promise to sell		4	2
Rent from foreclosed assets		(1)	(1)
		110	109
Allowance for impairment		(83)	(81)
	$	27	28

The movement of the allowance for impairment for the years ended December 31, 2009 and 2008 is analyzed as follows:

		2009	2008
Balance at beginning of year	$	(81)	(53)
Additional provisions due to aging, charged to operations for the year		(8)	(34)
Credit to income on sale of assets		6	6
Balance at end of year	$	(83)	(81)

(Continued)

(12) Premises, furniture and equipment and leasehold improvements-

Premises, furniture, equipment and leasehold improvements at December 31, 2009 and 2008 are analyzed as follows:

	2009	2008	Annual depreciation and amortization rate
Office premises	$ 2,188	2,154	Various
Office furniture and equipment	1,008	914	Various
Works of art	2	2	N/A
Computer equipment	936	853	30%
Transportation equipment	51	46	25%
Telecommunications equipment	215	179	10%
Leasehold improvements	1,396	943	Various
Construction in progress	19	26	–
	5,815	5,117	
Accumulated depreciation and amortization	(2,371)	(2,156)	
	$ 3,444	2,961	

Depreciation and amortization charged to results of operations for the years ended December 31,in 2009 and 2008 amounted to $267 and $207, respectively.

(13) Permanent investments-

At December 31, 2009 and 2008, permanent investments in shares, classified by activity, are analyzed as follows:

	2009	2008
Others banking related services	$ 44	82
Siefores	48	26
Mutual funds	24	30
Derivatives market operators	5	5
Security and protection *	1	1
Other activities *	4	10
	$ 126	154

* At December 31, 2009 and 2008, the Bank maintained a reserve against 100% of their holding of the shares of a company engaged in the armored car services.

(Continued)

For the years ended December 31, 2009 and 2008, the Group's equity percentage in the capital stock of its subsidiaries was 99.99%.

For the year ended December 31, 2009, the statement of income caption "Equity in earnings of associated companies" includes $3 from dividends collected from associated companies, carried at restated cost.

Cash dividends:

At the Ordinary Annual General Stockholders' Meeting held on March 27, 2009, a resolution was passed to declare the dividend payment in favor of the Group for an amount of $50, in cash on March 30, 2009. At the same Meeting, it was resolved to declare dividends in favor of the Financial Group for the amount of $2,000, of which $289 had been received at December 31, 2009. At such date, the balance receivable was $1,711, which is included in the balance sheet within "Other receivables".

On June 30, 2009, through a resolution passed by the General Ordinary Stockholders' Meeting the Bank declared the payment of dividends to the Financial Group for the amount of $20, which were collected on that same day.

On April 28, 2009, the group received the final installment of the dividend payment of $1,700, declared by the Bank in favor of the Financial Group in the Annual General Ordinary Stockholders' Meeting held on April 27, 2007. At December 31, 2008, $1,492 of such dividends had been received by the Financial Group.

(14) Deposit funding-

The average weighted interest rates on deposit balances during the years ended December 31, 2009 and 2008 were as follows:

	2009 Rates		2008 Rates	
	Pesos	Dollars	Pesos	Dollars
Demand deposits	1.51%	0.19%	2.10%	0.53%
Savings deposits	0.56%	–	0.55%	–
Time deposits	4.94%	0.46%	6.68%	1.38%
Money market	7.39%	–	7.86%	–

As a result of the bank debt issuance program authorized by the Banking Commission up to $10,000, at December 31, 2009 the Bank had placed $2,000 of 5-year certificates that pay interest every 28 days at a variable 28-day TIIE rate less 0.09%, $1,500 of 5-year certificates that pay interest every 28 days at a variable 28-day TIIE rate plus 0.11%, $400 of 10-year certificates that pay interest every six months at a fixed rate of 9.89% and $300 of 13-year certificates that pay interest at a fixed rate of 9.75%. At December 31, 2009, the accrued interest payable amounted to $8, ($42 in 2008).

At December 31, 2008, the money market funding consisted primarily of Mexican peso promissory notes with interest payable at maturity and terms ranging from 1 to 360 days and CEDES time deposits with maturities of 56 days.

(Continued)

(15) Bank and other loans-

At December 31, 2009 and 2008, bank and other loans are analyzed as follows:

	2009	2008
Due on demand and short-term:		
Pesos:		
Private domestic banks	$ 3	1,300
Development banks [1]	1,414	1,080
Development agencies [1]	545	854
Accrued interest	–	12
	1,962	3,246
Denominated in dollars:		
Foreign banks	–	3
Development agencies [1]	4	453
Accrued interest	–	1
	4	457
Total due on demand and short-term	1,966	3,703
Long-term:		
Pesos:		
Development banks [1]	256	307
Development agencies [1]	1,765	1,547
FOVI	–	595
Accrued interest	15	–
	2,036	2,449
Denominated in dollars:		
Development agencies [1]	–	3
Total long-term	2,036	2,452
Total bank and other loans	$ 4,002	6,155

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

Due to the operating characteristics of the interbank loans that the Bank maintains, such as access to funds via auctions, loans regulated by Banco de México with no pre-established limit, loans subject to availability of funds of the lenders' budget with no limit to the Bank, loans whose limit is agreed upon daily by the lender, at December 31, 2009 and 2008, the Bank has no significant interbank lines of credit with authorized amounts that have not been drawn down.

At December 31, 2009 and 2008, bank and other loans average annual interest rates are as follows:

	2009 Rates		2008 Rates	
	Pesos	Foreign currency	Pesos	Foreign currency
Private domestic banks	4.10%	–	8.12%	–
Banco de México	4.56%	–	8.74%	–
Development banks	7.47%	–	10.64%	–
Development agencies	4.87%	0.35%	8.58%	1.73%
Others	–	1.03%	–	5.76%

(16) Employee benefits-

The Bank, the Brokerage Firm, the Mutual Fund Management Company and the Afore (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 both the Bank and employees, which may be fully withdrawn by employees when aged 55.

For the years ended December 31, 2009 and 2008, the charge to operations for the Group's contributions to the contributory pension plan amounted to $48 and $55, 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.

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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, 2009 and 2008.

The components of the net periodic cost (income) at nominal value for the years ended December 31, 2009 and 2008 were as follows:

	Pensions			Seniority premium			Medical expenses, food coupons. life insurance
	Retirement	Disability	Total	Retirement	Termination	Total	for retires
2009							
Service cost	$ 29	1	30	2	5	7	60
Interest cost	160	3	163	3	5	8	170
Return on plan assets	(141)	(3)	(144)	(4)	(6)	(10)	(156)
Amortization of prior service:							
Transition asset	–	–	–	–	–	–	(8)
Plan modifications	–	–	–	–	–	–	(3)
Actuarial loss, net	16	–	16	–	–	–	37
Net periodic cost	64	1	65	1	4	5	100
Income recognition of actuarial gains generated in the year	3	(4)	(1)	–	(11)	(11)	–
Total cost (income)	$ 67	(3)	64	1	(7)	(6)	100
2008							
Service cost	$ 33	1	34	2	5	7	76
Interest cost	147	3	150	3	4	7	174
Return on plan assets	(147)	(3)	(150)	(4)	(5)	(9)	(140)
Amortization of prior service:							
Transition asset	–	–	–	–	–	–	(8)
Plan modifications	1	–	1	–	–	–	(3)
Actuarial loss (gain), net	–	4	4	–	(5)	(5)	49
Net periodic cost (income)	34	5	39	1	(1)	–	148
Income on vested benefits	–	–	–	–	–	–	(76)
Reduction/ extinction income	(3)	–	(3)	–	–	–	–
Cost recognition of actuarial gains generated in the year	–	2	2	–	9	9	–
Total cost	$ 31	7	38	1	8	9	72

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Below is a reconciliation of 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, 2009:

		Pensions			Seniority premium			Medical expenses, food coupons, life insurance
		Retirement	Disability	Total	Retirement	Termination	Total	for retirees
Defined benefit obligations (DBO) as of December 31, 2008	$	(1,731)	(35)	(1,766)	(34)	(58)	(92)	(1,831)
Current service cost		(29)	(1)	(30)	(2)	(5)	(7)	(60)
Interest cost		(160)	(3)	(163)	(3)	(5)	(8)	(170)
Paid benefits		121	1	122	4	6	10	59
Actuarial (gain) loss		(93)	–	(93)	(8)	4	(4)	9
DBO as of December 31, 2009		(1,892)	(38)	(1,930)	(43)	(58)	(101)	(1,993)
Plan assets at fair value		1,664	39	1,703	49	65	114	2,010
Financial situation of the fund		(228)	1	(227)	6	7	13	17
Past service:								
Transition asset		–	–	–	–	–	–	(23)
Plan improvements		18	–	18	1	1	2	(43)
Actuarial gains (losses)		230	–	230	(3)	–	(3)	477
Projected (liability) asset, net as of December 31, 2009	$	20	1	21	4	8	12	428

A reconciliation of net projected asset as of December 31, 2009 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, 2008	$	20	(3)	17	4	(2)	2	335
Net cost of period		(64)	(1)	(65)	(1)	(4)	(5)	(98)
Contributions to fund during 2009		64	1	65	1	3	4	191
Immediate recognition of gains and losses		–	4	4	–	11	11	–
Projected (liability) asset, net as of December 31, 2009	$	20	1	21	4	8	12	428

(Continued)

Details of the present value of the defined pension, seniority premium, medical expenses, food coupons and life insurance benefit obligations as of December 31, 2008 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 January 1, 2008	$	(1,788)	(36)	(1,824)	(39)	(52)	(91)	(2,108)
Current service cost		(33)	(1)	(34)	(2)	(5)	(7)	(76)
Interest cost		(147)	(3)	(150)	(3)	(4)	(7)	(174)
Paid benefits		110	1	111	–	3	3	46
Reduction or settlement effects		5	–	5	–	–	–	–
Plan improvements		(21)	–	(21)	–	–	–	–
Actuarial loss		143	4	147	10	–	10	481
DBO as of December 31, 2008		(1,731)	(35)	(1,766)	(34)	(58)	(92)	(1,831)
Plan assets at fair value		1,399	32	1,431	44	55	99	1,523
Financial situation of the fund		(332)	(3)	(335)	10	(3)	7	(308)
Past service:								
Transition asset		–	–	–	–	–	–	(30)
Plan improvements		23	–	23	–	1	1	(46)
Actuarial gains (losses)		329	–	329	(6)	–	(6)	719
Projected (liability) asset, net as of December 31, 2008	$	20	(3)	17	4	(2)	2	335

A reconciliation of net projected (liability) asset as of December 31, 2008 is analyzed as follows:

		Pensions			Seniority premium			Medical, expenses food coupons, life insurance, for retirees
		Retirement	Disability	Total	Retirement	Termination	Total	
Projected (liability) asset, net as of January 1, 2008	$	17	–	17	4	6	10	182
Net cost for fiscal year 2008		(34)	(5)	(39)	(1)	1	–	(148)
Transition cost on vested benefits		–	–	–	–	–	–	76
Contributions to fund during 2008		35	4	39	1	–	1	225
Reduction/ extinction income		2	–	2	–	–	–	–
Immediate recognition of losses		–	(2)	(2)	–	(9)	(9)	–
Projected (liability) asset, net as of December 31, 2008	$	20	(3)	17	4	(2)	2	335

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Details of the acquired benefit obligations (ABO) as of December 31, 2009 and 2008 are as follows:

		Pensions			Seniority premium			Medical expenses food coupons life insurance, for retirees
		Retirement	Disability	Total	Retirement	Termination	Total	
2009								
ABO	$	(1,330)	-	(1,330)	(4)	-	(4)	(1,025)
2008								
ABO	$	(1,092)	-	(1,092)	(2)	-	(2)	(882)

Below is an analysis of the movements of the plan assets required for covering the employee benefit obligations for the years ended December 31, 2009 and 2008:

		2009	2008
Fair value of the assets at beginning of year	$	3,053	3,258
Plan contributions during the year		260	265
Return on plan assets		705	(310)
Payments from the fund during the year		(191)	(160)
Balance at end of year	$	3,827	3,053

During fiscal years 2010 and 2009, the expected return and the expected loss on the plan assets covering the labor obligations are $310 and $299, respectively.

During the fiscal year 2010, contributions to the fund in the amounting to $99 are expected to cover the employee benefit obligations.

(Continued)

Below is a reconciliation of opening and final balances, and details of the present value of statutory severance compensation obligations as of December 31, 2009 and 2008:

		2009	2008
Acquired benefit obligations (ABO)	$	–	–
DBO at beginning of year	$	(294)	(287)
Current service cost		(15)	(18)
Interest cost		(21)	(22)
Benefits paid		81	33
Actuarial loss		(52)	–
DBO at December 31		(301)	(294)
Plan assets		–	–
Fund financial situation		(301)	(294)
Prior service:			
Transition liability		95	165
Projected liability, net	$	(206)	(129)

The net cost of statutory compensation benefits for the years ended December 31, 2009 and 2008, amounted to $169 y $61, respectively.

The nominal rates as of December 31, 2009 and 2008 used in actuarial projections are as follows:

	2009	2008
Return on plan assets	9.90%	10.20%
Discount rate	9.00%	9.50%
Rate of compensation increase	5.00%	5.50%
Rate of increase in medical expenses	6.50%	7.25%
Estimated inflation rate	4.00%	4.25%

The expected return on the plan assets was determined based on historical information of the plan, Mexico's rate curves and the Bank's investment policy.

The plan assets covering the pension, seniority premium, medical expense, food coupons, and life insurance for retirees benefit plans consist of 65% equity instruments and 35% debt instruments subject to a trust and managed by a Bank-designated committee.

(Continued)

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 amortization	6.50%	$ 1,476
1% increase in medical inflation rate	7.50%	1,626
1% decrease in medical inflation rate	5.50%	1,349

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, 2007, 2006 and 2005 follows:

	Pensions		
	2007	2006	2005
DBO	$ (1,702)	(1,555)	(1,975)
Plan assets	1,659	1,674	1,836
Financial situation of the fund	$ (43)	119	(139)
Variances in assumptions and experience adjustments	$ (59)	(50)	77

	Seniority premiums		
	2007	2006	2005
DBO	$ (92)	(79)	(68)
Plan assets	109	80	70
Financial situation of the fund	$ 17	1	2
Variances in assumptions and experience adjustments	$ (7)	(2)	(1)

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		Medical expenses, food coupons and life insurance		
		2007	**2006**	**2005**
DBO	$	(1,956)	(1,716)	(1,357)
Plan assets		1,490	1,227	1,122
Financial situation of the fund	$	(466)	(489)	(235)
Variances in assumptions and experience adjustments	$	813	63	(120)

		Statutory severance compensation		
		2007	**2006**	**2005**
DBO	$	(286)	(219)	(267)
DBO losses	$	22	(64)	13

As of December 31, 2009, 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, for retirees	Statutory severance compensation
	Retirement	**Disability**	**Retirement**	**Termination**		
Bank						
Prior service – transition (asset) liability	N/A	N/A	N/A	N/A	3.2	3.0
Prior service –plan improvements	9.8	3.0	13.2	3.0	12.5	N/A
Actuarial loss (gain), net	10.5	Immediate	13.4	Immediate	15.6	Immediate
Brokerage Firm						
Prior service – transition (asset) liability	N/A	N/A		N/A	3.0	3.0
Prior service –plan improvements	4.6	N/A		N/A	N/A	N/A
Actuarial loss (gain), net	6.2	12.2		Immediate	15.8	Immediate

(Continued)

(17) Related-party transactions-

During the normal course of business, the Group carries out transactions with related parties. According to the Group's polices, 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.

At December 31, 2009 and 2008, principal balances with related parties are for bank loans granted and securities and derivatives transactions of $1,800 and $4,899, respectively and bank deposits of $863 and $738, respectively. Principal income and expense items arising from related-party transactions for the years ended December 31, 2009 and 2008 were the interest earned and payable on these loans.

Benefits granted to senior management for the year 2009 amounted to $144.

(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 Law in effect as of December 31, 2009 provides for an IT rate of 28%, while in accordance with the tax reforms effective as of January 1, 2010, the IT rate for fiscal years 2010 to 2012 is 30%, for 2013 the rate shall be 29% and for 2014 and thereafter, the rate is 28%. The IETU rate is 17% for 2009 and 17.5% for 2010 and thereafter.

Owing to the fact that, according to Group's estimates, the tax payable in future years will be IT, except in the Afore where it will be IETU, deferred tax effects as of December 31, 2009 and 2008 have been determined on an IT basis, except in the Afore where the deferred tax effects was determined on an IETU basis.

On May 19, 2004, the Bank, the Brokerage Firm and the Mutual Fund Management Company 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 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 in the consolidated statement of income, is analyzed as follows:

	2009		2008	
	IT and IETU	ESPS	IT and IETU	ESPS
Current:				
Bank and subsidiaries	$ 763	217	780	262
Brokerage firm	106	34	106	35
Mutual Fund Management Company	17	-	11	3
Scotia Afore	-	14	-	-
Group	-	-	2	-
Deferred	(29)	3	56	15
	$ 857	268	955	315

Deferred IT, IETU and ESPS:

The deferred tax asset at December 31, 2009 and 2008 comprises the following:

	2009		2008	
	IT and IETU	ESPS	IT and IETU	ESPS
Valuation of financial instruments:				
Trading	$ 51	16	(32)	(12)
Available-for-sale	(132)	(43)	(150)	(53)
Cash flow hedge swaps	(53)	(19)	(30)	(11)
Expense accruals and others	146	56	204	73
Premises, furniture and equipment	(140)	44	(129)	52
Unearned fees collected	281	94	218	78
Pension plan	(131)	(44)	(91)	(33)
Foreclosed assets	138	46	160	57
Allowance for loan losses	148	53	148	53
Losses on warrants	50	-	36	-
	358	203	334	204
	$ 561		538	

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Deferred IT, IETU and ESPS credits (charges) to results of operations and stockholders' equity, for the years ended December 31, 2009 and 2008 are presented below:

	2009		2008	
	IT and IETU	ESPS	IT and IETU	ESPS
Valuation of financial instruments:				
Trading	$ 83	28	(39)	(14)
Available-for-sale	18	10	(120)	(42)
Cash flow hedge swaps	(23)	(8)	(25)	(10)
Expense accruals and others	(58)	(17)	(41)	(17)
Premises, furniture and equipment	(11)	(8)	7	2
Unearned fees collected	63	16	54	19
Pension plan	(40)	(11)	(28)	(10)
Foreclosed assets	(22)	(11)	13	5
Losses in warrants	14	-	(3)	-
Tax loss carryforwards	-	-	(19)	-
	24	(1)	(201)	(67)
	$ 23		(268)	
Deferred tax:				
In results of operations	$ 29	(3)	(56)	(15)
In stockholders' equity:				
Valuation in available-for-sale securities	18	10	(120)	(42)
Valuation of cash flow hedge swaps	(23)	(8)	(25)	(10)
	24	(1)	(201)	(67)
	$ 23		(268)	

(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, 2009, 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, 2009 and 2008, the non-par-value common registered shares making up the capital stock are analyzed 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.

(Continued)

(b) Dividends declared-

At the Ordinary Annual General Stockholders' Meeting held on March 27, 2009, a resolution was passed to declare the dividend payment as follows:

- A maximum payment of dividends in cash amounting to $2,000, charged to retained earnings at a rate of $0.66255003824035 pesos per share for the registered series "F" and "B" shares as of that date.
- Periodic dividend payments to be approved by the Board of Directors, taking into account the quarterly results of the Group's operations ranging between 20% y 45% of net income for the quarter.

Cash payments made in the period from March to December 2009 are detailed below:

Payment date		Amount
August 28, 2009	$	111
November 30, 2009		178
Dividends paid to December 31, 2009	$	289

At 31 December 2009, the balance of dividends declared but not yet paid of $1,711 are presented in the consolidated balance sheet under "Sundry creditors and other accounts payable".

At the Annual Ordinary General Stockholders' Meeting held on April 27, 2007, the stockholders agreed to the following:

- A maximum payment of cash dividends of $1,700 to be charged to retained earnings, at the rate of $0.56312532504 pesos per share for the registered series "F" and "B" shares as of that date.
- Periodic dividend payments to be approved by the Board of Directors, taking into account the quarterly results of the Group's operations ranging between 20% and 45% of net income for the quarter.

(Continued)

On April 28, 2009, the final cash payment was received as detailed below:

Payment date		Amount
May 9, 2007	$	287
June 11, 2007		173
August 31, 2007		199
November 30, 2007		229
Dividends paid during 2007		888
March 28, 2008		195
May 30, 2008		210
August 29, 2008		199
Dividends paid during 2008		604
March 30, 2009		100
April 28, 2009		108
Dividends paid during 2009		208
Dividends paid to December 31, 2009	$	1,700

(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 (SHCP) may authorize the acquisition of a higher percentage, provided that it does not exceed 20% of the capital stock.

In conformity with the General Corporation 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, 2009 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, 2009 the capital contribution account (CUCA) and the tax basis retained earnings account (CUFIN) of the Group amount to \$6,607 and \$8,200, respectively.

The retained earnings of subsidiaries may not be distributed to the Group's stockholders until these are received by way of dividends from the subsidiaries. Also, unrealized gains from the valuation of investment securities and derivative financial instruments may not be distributed until realized.

(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, 2009 and 2008 was \$1,425 and \$1,346 respectively.

The SHCP requires credit institutions to maintain a minimum capital of 8% of assets at risk. The percentage is calculated based on the assigned risk in conformity with the rules established by the Central Bank.

Information relating to the Bank's capitalization follows (unaudited information):

Capital as of December 31:

		2009	2008
Stockholders' equity	$	25,058.4	25,384.1
Investments in financial service entities and their holding companies		(218.8)	(468.7)
Investments in other companies		(125.3)	(113.7)
Deferred taxes reduction		(201.4)	–
Deferred assets classed as basic		201.4	–
Intangible assets and deferred taxes		(1,967.0)	(1,734.5)
Basic capital (Tier 1)		22,747.2	23,067.2
General loan loss allowances – Supplementary capital (Tier 2)		385.7	387.2
Net capital (Tier 1 + Tier 2)	$	23,132.9	23,454.4

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Assets at risk as of December 31, 2009:

	Risk weighted assets	Capital requirement
Market risk:		
Transactions in Mexican pesos at nominal interest rates	$ 16,133.3	1,290.7
Transactions with debt securities in pesos with premium and adjustable rates	623.9	49.9
Transactions in Mexican pesos at real interest rates or denominated in UDIS	1,385.3	110.8
Positions in UDIS or with returns linked to the INPC	1.8	0.1
Foreign currency transactions at nominal interest rates	650.6	52.0
Foreign currency positions or with exchange rate indexed returns	268.0	21.4
Equity positions or with returns indexed to the price of a single share or group of shares	515.7	41.3
Total market risk	19,578.6	1,566.2
Credit risk:		
Group III (weighted at 20%)	3,863.1	309.0
Group III (weighted at 23%)	209.4	16.7
Group III (weighted at 50%)	1,595.4	127.6
Group III (weighted at 57.5%)	1,333.5	106.7
Group III (weighted at 100%)	4.9	0.4
Group IV (weighted at 20%)	251.3	20.1
Group V (weighted at 20%)	143.7	11.5
Group V (weighted at 50%)	2,264.6	181.2
Group VI (weighted at 50%)	9,063.0	725.0
Group VI (weighted at 75%)	10,491.9	839.3
Group VI (weighted at 100%)	22,597.8	1,807.8
Group VII (weighted at 20%)	138.8	11.1
Group VII (weighted at 100%)	29,538.6	2,363.1
Group VII (weighted at 150%)	3.8	0.3
Group VIII (weighted at 125%	2,389.3	191.1
Group IX (weighted at 100%)	22,440.9	1,875.3
Total credit risk	106,330.0	8,586.2
Operational risk	11,327.0	906.2
Total market, credit and operational risk	$ 137,235.6	11,058.6

(Continued)

Capitalization indices as of December 31:

	2009	2008
Capital to credit risk assets:		
Basic capital (Tier 1)	21.19%	20.77%
Supplementary capital (Tier 2)	0.36%	0.35%
Net capital (Tier 1 + Tier 2)	21.55%	21.12%
Capital to market and credit risk assets:		
Basic capital (Tier 1)	16.46%	15.25%
Supplementary capital (Tier 2)	0.27%	0.25%
Net capital (Tier 1 + Tier 2)	16.73%	15.50%

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.

At December 31, 2009, the net capital structure of $23,132.9 decreased by 1.37% in relation with 2008 which was $23,454.4, mainly due to a reduction in stockholders' equity of $321.6 in relation to 2008.

(20) Memorandum accounts-

Transactions on behalf of third parties-

Through December 31, 2008, the memorandum accounts on the Group's consolidated balance sheet presented transactions on behalf of third parties segregated from those carried out for its own account; however, amendments to the general provisions applicable to holding companies of financial groups in Mexico, published during 2009 (see note 3), did not consider such presentation and only require the balance sheet presentation of transactions carried out for its own account, except for the caption of "Investment banking transactions on behalf of third parties, net". Accordingly, transactions on behalf of third parties are shown under "Other memorandum accounts", however, for disclosure effects in the next page are the balances of transactions on behalf of third parties at December 31, 2009 and 2008:

(a) Customer securities-

The funds managed by the Brokerage Firm following customer instructions for investing in various financial instruments of the Mexican financial system are recorded in memorandum accounts in "Other accounts"

Funds under management at December 31, 2009 and 2008 are as follows:

		2009	2008
Mutual funds	$	28,280	19,295
Government securities		43,557	50,256
Equities and other		92,478	78,599
	$	164,315	148,150

Securities received as collateral at December 31, 2009 and 2008 are analyzed as follows:

		2009	2008
Government securities	$	641	911
Fixed-income debt securities		82	60
Shares and certificates of holding companies		803	541
Mutual fund shares		55	7
Cash		143	103
	$	1,724	1,622

Income earned for the years ended December 31, 2009 and 2008 corresponding to the activity of assets in custody amounted to $43 and $38, respectively.

(b) Investments on behalf of customers-

As of December 31, 2009 and 2008 funds managed by the Bank following customer instructions for investment in different instruments of the Mexican financial system are recorded in memorandum accounts and are analyzed as follows:

		2009	2008
Equities and others	$	3,009	7,194
Government securities		20,490	13,841
Mutual funds		20,718	18,125
Bank securities not issued by the Bank		5,206	5,490
	$	49,423	44,650

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

(Continued)

(c) ***Repurchase/resell transactions of customers-***

At December 31, 2009 and 2008, the repurchase/resell transactions of customers are analyzed as follows:

	2009		2008	
	Number of certificates	**Fair value**	**Number of certificates**	**Fair value**
Bpas	35,797,128	$ 3,573	30,346,365	$ 3,012
Bpat	50,268,812	5,000	77,796,667	7,796
Cbpc	–	–	3,873,611	386
Cbur	3,448,716	319	6,248,804	595
Cete	–	–	271,931,318	2,629
Ipas	58,798,773	5,805	1,586,269	158
Ls	281,993	28	1,215,606	123
Mbon	25,223,403	2,575	88,891,089	9,122
Prlv	1,494,946,446	1,483	756,750,691	741
Ctom	624,659,211	6,112	–	–
LBon	91,962,712	9,163	198,771,833	19,829
		$ 34,058		$ 44,391

Transactions for own account-

(d) ***Irrevocable lines of credit and guarantees issued-***

At December 31, 2009 and 2008, the Bank had irrevocable commitments to grant loans for $2,244 and $3,164, respectively.

Allowances created at December 31, 2009 and 2008 for letters of credit amount to $16 and $33, respectively, and are included in the allowance for loan losses.

(e) ***Assets in trust or under mandate-***

The Bank's trust activity, recorded in memorandum accounts as of December 31, 2009 and 2008, is analyzed on the next page.

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	2009	2008
Trust:		
Administrative	$ 103,620	93,289
Guarantee	3,819	3,132
Investment	631	495
	108,070	96,916
Mandates	26,832	486
	$ 134,902	97,402

Trust revenue for the years ended December 31, 2009 and 2008 amounted $190 and $168, corresponding to trustee activity, respectively and were recorded in "Commission and fee income".

(f) Collateral received by the entity and collateral received and sold or pledged by the entity-

Collateral received by the Bank and collateral sold or delivered by the Group at December 31, 2009 and 2008 are analyzed as follows:

	2009	2008
Collateral received by the entity:		
Repurchase / resell agreements:		
BPAS	$ 5,292	2,957
IT BPAT	5,337	13,488
IS BPA 182	6,966	498
BONOS M	4,310	13,698
BONOS MO	1,830	821
BI CETES	3,820	1,653
LD BONDESD	15,390	16,116
BONOS M7	-	619
LS BONDESD	-	102
	42,945	49,952
Guarantees received for credit operations	62,204	42,716
Net equity instruments	240	172
Total collateral received by the entity	$ 105,389	92,840

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		2009	2008
Collateral received and sold or pledged by the entity:			
LD BONDESD	$	15,390	16,116
LS BONDESD		-	102
BONOS M		4,310	13,698
BONOS MO		1,830	821
BONOS M7		-	618
BPA 182		6,956	498
BI CETES		3,816	1,653
IT BPAT		5,329	13,489
BPAS		4,297	2,957
		41,928	49,952
Net equity instruments		132	95
	$	42,060	50,047

(g) ***Assets in custody or under management-***

In this account, the Bank and the Mutual Fund Management Company record property and securities received in custody, guarantee or under management. As of December 31, 2009 and 2008, the assets in custody are analyzed as follows:

		2009	2008
Securities in custody:			
Securities	$	276	226
General		828	611
Investment		543	416
Securities management		969	932
Other		2,558	2,535
		5,174	4,720
Securities in guarantee		-	83
Securities under management:			
Securities		319,961	279,602
Other		1,773	1,773
		321,734	281,375
Transactions with derivative financial instruments on behalf of third parties:			
Futures		175,585	303,624
Options		4	-
		175,589	303,624
	$	502,497	589,802

Income arising from securities in custody for the years ended December 31, 2009 and 2008 amounted to $43 and $44, respectively.

(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, 2009 and 2008, income by segment is analyzed as follows:

	Credit and services	Trading and Treasury	Others	Total
December 31, 2009				
Interest income, net	$ 8,075	1,197	184	9,456
Commissions and fee income, net, financial intermediation income and other income, net	3,974	838	1,207	6,019
Net operating revenues	12,049	2,035	1,391	15,475
Provision for loan losses	(2,954)	–	–	(2,954)
Administrative and promotional expenses	(7,975)	(578)	(799)	(9,352)
Income before income taxes, and equity in results of operations of associated companies	$ 1,120	1,457	592	3,169
Current and deferred income taxes, net				(857)
Equity in the results of operations of subsidiary and associated companies, net				8
Net income				$ 2,320

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	Credit and services	Trading and Treasury	Others	Total
December 31, 2008				
Interest income, net	$ 7,386	1,703	265	9,354
Commissions and fee income, net, financial intermediation income and other income, net	4,818	848	780	6,446
Operating revenues	12,204	2,551	1,045	15,800
Provision for loan losses	(3,023)	–	–	(3,023)
Administrative and promotional expenses	(7,456)	(575)	(748)	(8,779)
Income before income taxes and equity in results of operations of associated companies	$ 1,725	1,976	297	3,998
Current and deferred income taxes, net				(955)
Equity in the results of operations of subsidiary and associated companies, net				58
Net income				$ 3,101

(b) ***Financial margin-***

For the years ended December 31, 2009 and 2008, the financial margin consists of the following elements:

Interest income:

Interest income for the years ended December 31, 2009 and 2008 is analyzed on the next page.

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	Credit and services	Trading and Treasury	Others	Total
December 31, 2009				
Cash and cash equivalents	$ –	860	–	860
Margin accounts	–	9	–	9
Investment securities	–	917	74	991
Securities under repurchase/resell agreements and transactions that represent secured borrowings	–	1,255	4,442	5,697
Current loan portfolio	10,799	–	–	10,799
Past due loan portfolio	97	–	–	97
Loan origination fees	213	–	–	213
Premiums collected	–	–	6	6
Valuation gain	–	9	–	9
	$ 11,109	3,050	4,522	18,681
December 31, 2008				
Cash and cash equivalents	$ –	1,324	–	1,324
Investment securities	–	1,211	223	1,434
Securities under repurchase/resell agreements and transactions that represent secured borrowings	–	1,496	3,156	4,652
Current loan portfolio	11,273	–	–	11,273
Past due loan portfolio	88	–	–	88
Loan origination fees	210	–	–	210
Premiums collected	–	1,269	2,227	3,496
Valuation gain	–	38	–	38
	$ 11,571	5,338	5,606	22,515

(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, 2009 and 2008:

	2009		2008	
	Current	**Past due**	**Current**	**Past due**
Commercial	$ 2,563	34	2,731	25
Financial institutions	306	–	285	–
Consumer	3,558	49	4,136	49
Residential mortgages	4,231	14	3,639	14
Government entities	354	–	692	–
	$ 11,012	97	11,483	88
	$ 11,109		11,571	

For the year ended December 31, 2008, consumer loan interest income included fees that represent a yield adjustment of $0.03. For the year ended December 31, 2009 such fees were based on an adjustment of $0.02.

For the years ended December 31, 2009 and 2008, total interest income includes interest denominated in foreign currency amounting to 27 and 2 million dollars, respectively.

Loan origination fees for the years ended December 31, 2009 and 2008 are as follows:

	2009	**2008**
Commercial	$ 1	5
Consumer	131	116
Residential mortgages	81	89
	$ 213	210

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

Interest expense:

Interest expense for the years ended December 31, 2009 and 2008 is analyzed on the next page.

(Continued)

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	Credit and services	Trading and Treasury	Others	Total
December 31, 2009				
Demand deposits	$ 684	–	–	684
Time deposits	2,278	–	–	2,278
Bank bonds	–	314	–	314
Bank and other loans	–	317	–	317
Securities under repurchase/resell agreements and transactions that represent secured borrowings	–	1,206	4,333	5,539
Premium paid	–	–	5	5
Valuation loss	–	16	–	16
Residential mortgages loan origination fees and expenses	72	–	–	72
	$ 3,034	1,853	4,338	9,225
December 31, 2008				
Demand deposits	$ 916	–	–	916
Time deposits	3,139	–	–	3,139
Bank bonds	–	550	–	550
Bank and other loans	–	351	–	351
Subordinated obligation	–	–	1	1
Securities under repurchase/resell agreements and transactions that represent secured borrowings	–	1,105	1,263	2,368
Premium paid	–	2,457	3,249	5,706
Valuation loss	–	1	–	1
Residential mortgages loan origination fees and expenses	129	–	–	129
	$ 4,184	4,464	4,513	13,161

For the years ended December 31, 2009 and 2008, total interest expense includes interest denominated in foreign currency amounting to 3 million and 1 million dollars, respectively.

(Continued)

(c) Financial intermediation income-

For the years ended December 31, 2009 and 2008, financial intermediation income is analyzed as follows:

		2009	2008
Unrealized:			
Investment securities	$	(162)	(4)
Securities repurchase/resell agreements and securities lending		-	(32)
Derivatives:			
Trading		(93)	10
Hedging		(21)	(190)
Foreign currencies and precious metals		(11)	77
		(287)	(139)
Realized:			
Investment securities		239	235
Derivatives:			
Trading		106	(157)
Hedging		(66)	23
Foreign currencies and precious metals		800	845
		1,079	946
	$	792	807

(d) Commission and fee income-

For the years ended December 31, 2009 and 2008, commission and fee income are analyzed as follows:

		2009	2008
Letters of credit with no refinancing	$	29	31
Account handling		208	221
Trust activities		190	168
Fund transfers		69	53
Electronic banking services		264	232
Credit transactions		478	431
Other fees and commissions collected		2,039	2,043
	$	3,277	3,179

(Continued)

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(e) Other operating income-

	2009	2008
Recoveries of loan portfolio	$ 413	750
Acquisition of loan portfolio	(10)	(11)
Loss on sale of loan portfolio	(371)	-
Dividends	-	4
Donations	(63)	(8)
Loss on foreclosed assets	-	(34)
Income on sale of foreclosed assets	124	79
Other	(9)	-
	$ 84	780

(f) Other income-

For the years ended December 31, 2009 and 2008, other income is analyzed as follows:

	2009	2008
Recoveries:		
Taxes	$ 52	13
Revenue from purchase of trust securities	544	461
Investment	–	194
Other	128	116
Income from loan insurance	542	456
Sale of BMV shares	–	245
Transfer of securities	95	99
Distribution of mutual fund shares	557	435
Loans to employees	83	90
Food vouchers	127	121
Other	247	56
	$ 2,375	2,286

(g) Other expense-

For the years ended December 31, 2009 and 2008, other expense is composed of the following:

	2009	2008
Write-offs and miscellaneous losses	$ 143	147
Other	9	83
	$ 152	230

(Continued)

(h) Financial ratios-

The following are some key quarterly financial ratios as of and for the years ended December 31, 2009 and 2008:

2009	**Fourth**	**Third**	**Second**	**First**
Past due loan portfolio / Total loan portfolio	3.9%	3.8%	4.3%	4.2%
Allowance for loan losses / Past due loan portfolio	103.6%	108.7%	96.8%	104.6%
Operating efficiency (*administrative and promotional expenses / average total assets*)	6.4%	6.3%	6.1%	5.8%
ROE (*annualized net income for the quarter / average stockholders' equity*)	13.1%	9.1%	5.8%	7.5%
ROA (*annualized net income for the quarter / total average assets*)	2.2%	1.5%	1.0%	1.3%
Net capital / Assets at credit risk	21.5%	21.0%	20.3%	19.8%
Net capital / Assets at credit and market risks	16.7%	16.4%	16.0%	15.0%
Liquidity (*liquid assets / liquid liabilities*)	63.2%	68.0%	58.3%	65.3%
Financial margin after allowance for loan losses / Average earning assets	5.2%	5.1%	5.0%	4.2%

2008	**Fourth**	**Third**	**Second**	**First**
Past due loan portfolio / Total loan portfolio	3.6%	3.1%	2.8%	3.1%
Allowance for loan losses / Past due loan portfolio	108.1%	105.1%	117.7%	116.4%
Operating efficiency (*administrative and promotional expenses / average total assets*)	6.2%	5.9%	6.1%	5.6%
ROE (*annualized net income for the quarter / average stockholders' equity*)	7.5%	11.6%	12.7%	17.4%
ROA (*annualized net income for the quarter / total average assets*)	1.3%	2.0%	2.2%	2.9%
Net capital / Assets at credit risk	21.1%	21.8%	21.5%	23.7%
Net capital / Assets at credit and market risks	15.5%	16.6%	17.5%	19.3%
Liquidity (*liquid assets / liquid liabilities*)	66.9%	67.7%	76.3%	78.5%
Financial margin after allowance for loan losses / Average earning assets	4.8%	5.2%	4.5%	4.8%

(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, 2009 and 2008, amounted to $607 and $522, 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.

Contingencies for securities transactions

At December 31, 2008, the Brokerage Firm recognized an accrual of $79, which it charged to results of operations for that year. The accrual related to securities transactions with third parties. This accrual was cancelled during 2009 and, concurrently, a loss was recognized in respect of the fair value of the securities received.

Tax amnesty program

In 2007 and through the Federal Revenue Law, a tax amnesty program was introduced for the tax liabilities arising from federal taxes, updating for inflation and surcharges, as well as penalties for failure to meet federal tax obligations other than payment obligations, due prior to January 1, 2003.

The Brokerage Company had an adjusted-for-inflation tax liability that dated back to 1991 amounting to $4 and $26 for fiscal year 2000, arising from VAT and IT differences, respectively.

In March 2008, through official communication number 322 SAT-11-RF-42939, the Brokerage Company obtained a favorable resolution to its request for remission filed on December 10, 2007. Thus, a payment of $2 was authorized for both fiscal years, which was made in April 2008.

(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-

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.

(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 on the management of asset and liability positions reported in the consolidated balance sheet in connection with credit, funding and investing, as well as securities trading activities.

(Continued)

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 Risk 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 Bank 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 monthly 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.

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For purposes of marking the Group's positions to market, a price vendor has been contracted to determine prices using technical and statistical methods as well as valuation models authorized by the Banking Commission. During the fourth quarter of 2009, the authorized limits and the average and maximum positions of VaR, (in millions of nominal pesos, except for foreign currency forwards and futures, which are presented in millions of dollars), are shown below (unaudited information):

	Position			VaR	
Product	**Average**	**Maximum**	**Limit**	**Average**	**Limit**
Group	$ 194,855.4	221,423.8	–	13.7	52.5
Pesos:					
Money market	$ 31,837.5	39,292.7	105,000.0		
Interest rate swaps	131,592.0	140,047.8	157,000.0		
Interest rate market and rate derivates	$ 163,429.5	179,340.5	262,000.0	14.2	50.0
Shares	114.9	219.4	300.0		
IPC futures [1]	64.9	221.4	2,880.0		
Share portfolio	114.9	219.4	300.0	3.1	10.0

	Position			VaR	
Product	**Average**	**Maximum**	**Limit**	**Average**	**Limit**
Dollars:					
Forwards and futures foreign Exchange contracts [2]	678.9	1,381.1	4,000.0		
Foreign exchange market [3]	1.5	7.3	70.0		
Foreign currency options [3]	48.5	136.5	800.0		
Foreign currency swaps [3]	290.5	298.1	1,500.0		
Total foreign exchange and foreign currency derivatives	1,019.4	1,823.0	6,370.0	1.6	10.0

[1] 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 2.13 MM that is computed with the Capitals VaR.

[2] The Forwards position is a gross position (long + short) and Foreign Exchange position is net (long - short).

[3] Notional figures expressed in millions of US dollars.

(Continued)

During the fourth quarter of 2009, the Group participated in the Mexican Derivatives Exchange or MexDer, entering into Interest Rate Futures transactions and into the IPC index futures contracts. During this quarter, the Group opted to not participate in Dollar Futures contracts (unaudited information).

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

Underlying	Average	Maximum	Limit
US Dollar futures	-	-	10,000.0
Interest rate futures	172,081.0	266,999.0	1,040,000.0
IPC futures	98.0	356.0	750.0
Total futures[1]	172,179.0	267,355.0	1,050,750.0

[1] The relevant position and limit are stated in number of contracts traded in MexDer. The Brokerage Company kept in average, warrants on the IPC and stocks in the notional amount of 884.12. The maximum notional amount was 1687.17.

During 2009, the Group's average global VaR (unaudited) was $13.7 and the global VaR at December 31, 2009 (unaudited) was $22.7.

As an example, the annual average value at risk for the Group is $33.1 millions, which means that under normal conditions and during a holding period of 1 days 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, 2009 was 100.7, which compared to the $800 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).

(Continued)

With respect to Back-testing, the recent increased volatility scenarios which occurred in October 2008 led to exceptions in the testing, however, after this month the overall situation corrected itself. As this was a temporary event, the model was not re-calibrated as all limit breaches were explained by the increased volatility. Back-testing for the period January to December 2009 shows a "green" efficiency level under the BIS approach.

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.

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.

(Continued)

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 CETE 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.

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 one hundred 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.

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%.

(Continued)

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.

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.

(Continued)

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%).

Portfolio of currency and currency derivatives

Currency

The portfolio comprises various currencies the Exchange desk operates for trading purposes. Sensitivity is calculated as the Delta by currency as the change in the value of the portfolio in the event of a 1% change in the value of the underlying.

Currency derivatives

Currency Forwards and Futures: For this portfolio, sensitivity to interest rate movements is calculated for each currency as well as the present value in the event of a parallel change of 1 basis point along the respective yield curves, with all other factors remaining constant. Also, a non-parallel change is applied to the yield curves for time gaps, all other factors remaining constant.

Currency options: For currency options, the calculation of sensitivities the greek letters delta, gamma, theta and rho apply.

CCIRS: For purposes of determining the sensitivity to changes in the yield curve a 1 base point change is made along the respective yield curves, valuing the portfolio with the various curves and calculating the change in the portfolio's value with each of such changes. Also, an analysis is made by a parallel movement of one hundred basis points. Furthermore, a non-parallel change of one basis point is made to the yield curves for time gaps, maintaining all other factors constant. For the purposes of this report, only the sensitivity of 1 basis point is presented.

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Quantitative information on sensitivities.

Quantitative information of interest rate sensitivities

Below are the sensitivities of 1 basis point as of September 30 and December 31, 2009 (unaudited information):

Sensitivities 1bp	**September 2009**	**December 2009**
Fixed rate	(0.083)	0.057
Variable rate	(0.065)	(0.072)
Subtotal interest rates	(0.148)	(0.015)
Futures	0.061	0.253
Swaps	(0.289)	(0.305)
Subtotal interest rates derivatives	(0.228)	(0.052)
Total	(0.376)	(0.067)

At December 31, 2009, the Group has an interest rate portfolio sensitivity of (0.067), which means that for every basis point the interest rate falls, the Group will obtain a profit of (0.067). The decrease in sensitivity from $0.308 compared with the preceding quarter results from the slight increase in long positions, mostly fixed-rate and from the fact that the sensitivity of the interest rate derivatives portfolio decreased due to the futures that cover to a great extent the sensitivity of interest rate swaps.

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

On the next page is a chart showing the evolution of the sensitivity for interest rates and interest rate derivatives as the net portfolio effect, the total daily position for the period of October to December 2009 (unaudited information).

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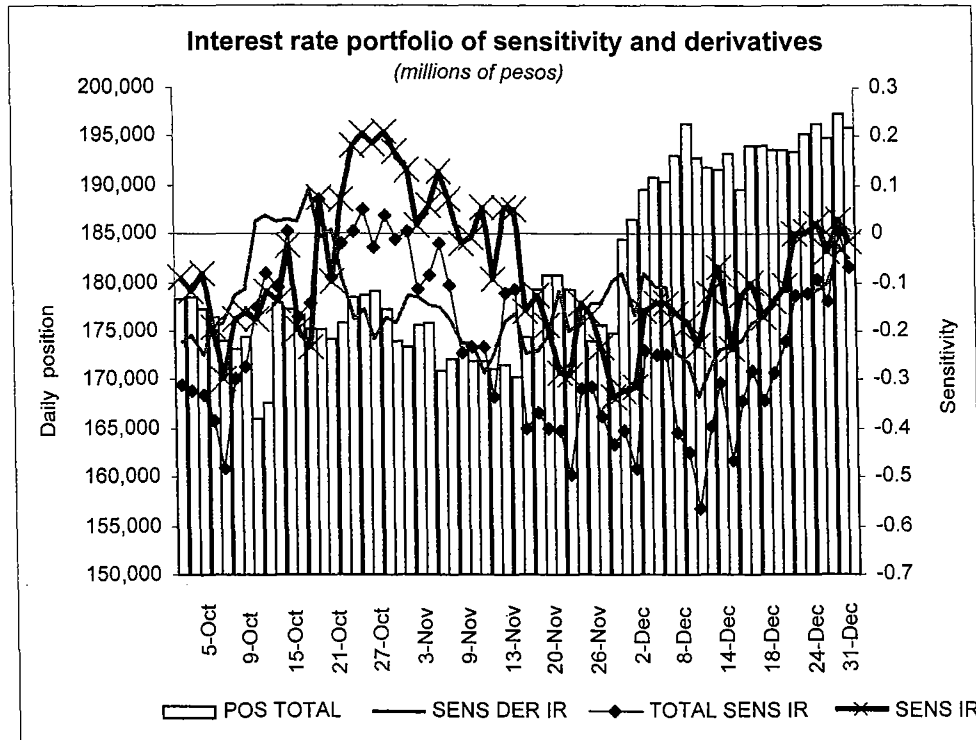

The graph shows that at the quarter's close, the Group's daily sensitivity with regards to the Interest Rate and Interest Rate Derivatives portfolio is reduced.

The following table shows the figures for the fourth quarter of 2009, maximum, minimum and average at December 31, 2009. On average, sensitivity was $(0.229). During this period, the interest rate and derivatives portfolio covered long positions.

Sensitivities 1 bp	Average	Maximum	Minimum
Interest rate	$ (0.083)	(0.899)	(0.118)
Rates derivatives	(0.146)	0.356	0.333
Total	$ (0.229)		

(Continued)

Sensitivities for shares portfolio and IPC derivatives.

Below are the sensitivities of 1 basis point as of September 30 and December 31, 2009 (unaudited information):

	September 2009	December 2009
Shares	0.6880	1.0500
Subtotal	0.6880	1.0500
IPC futures	0.0004	–
IIPC Options	–	–
Warrants	0.0048	0.0004
Subtotal	0.0052	0.0004
Total	0.6932	1.0504

During the quarter, the Capitals desk continued with its strategy of conducting intraday transactions. Compared with the preceding quarter, the position posted an increase, the most important of which being AMX L and CEMEX CPO, TELINT L, NUE* y GRUMA B.

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 following graph shows the daily evolution of the sensitivity for the stock portfolio. Also, it shows the daily position of the stock portfolio (unaudited information).

(Continued)

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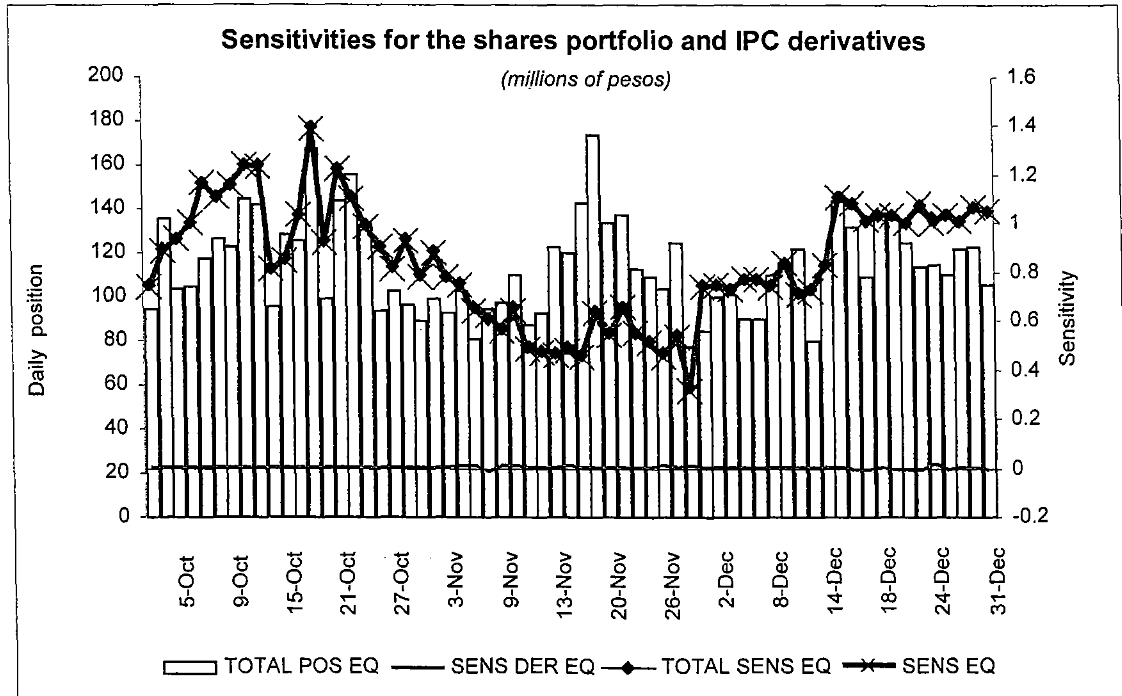
(Millions of pesos)



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 2009 it averaged $843. During the quarter, the sensitivity and stock position increased both at the Brokerage Firm and the Bank (unaudited information).

Sensitivities		Average	Maximum	Minimum
Shares	$	0.838	1.714	0.170
IPC Derivatives		0.005	0.019	(0.015)
Total	$	0.843		

The following table shows sensitivity measures for non-linear instruments for December 31, 2009 (unaudited information).

(Continued)

Sensitivities for warrants and IPC options, "Greeks".

Greeks	Delta	Gamma	Vega	Theta	Rho	Dividend risk
Warrants	$ (48.36)	(0.28)	(0.03)	0.01	(0.12)	–
IPC options/ OTC options	22.42	0.44	0.07	(0.01)	(0.03)	–
IPC futures	–	–	–	–	–	–
Naftracs / stocks	24.06	–	–	–	–	–
Total	$ (1.88)	0.16	0.04	–	(0.15)	–

Below is the average, maximum, and minimum of the sensitivities for warrants and IPC options (unaudited information):

	Delta	Gamma	Theta	Rho	Vega
Minimum	(54.65)	(1.99)	(0.07)	(0.48)	(0.02)
Maximum	26.37	0.81	0.08	0.26	0.06
Average	(12.53)	0.19	–	(0.06)	0.02

Sensitivities for exchange rates and exchange rates derivatives portfolios

Below are the sensitivities as of September 30 and December 31, 2009 (unaudited information):

Exchange rate	September 2009	December 2009
USD	0.097	0.012
CAD	0.048	0.078
EUR	0.065	0.035
Other	0.062	0.064
Subtotal	0.272	0.189
Forwards and DEUA Futures	–	0.002
OTC options of MXN/USD	–	0.000
Swaps	–	0.001
Subtotal	–	0.003
Total	0.272	0.192

(Continued)

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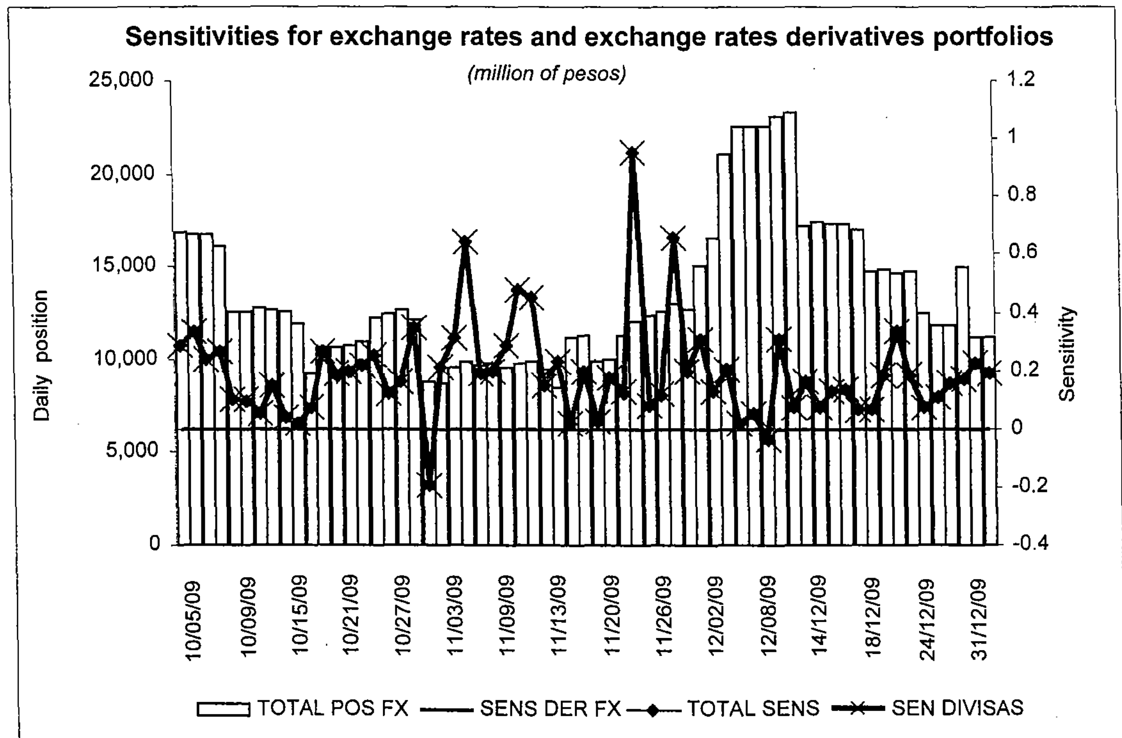
During the fourth quarter of 2009, sensitivity of the foreign exchange rate posted a decrease to $0.192. U.S. dollar forwards and futures had a marginal positive sensitivity with a net long position. The sensitivity of CCIRS was much reduced. Currently, the Bank participates in the OTC market for peso-dollar exchange rate options for hedging purposes and to serve its customers. Exchange desks (spot/forward) do not record material exposures (unaudited information).

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

Next is the daily evolution of the sensitivities for this portfolio (unaudited information):



The currency position is reduced, since this is a directional portfolio for meeting the needs of customers.

On average, the quarterly sensitivity of the currency and currency derivatives portfolio was $0.194 (unaudited information).

Sensitivities	Average	Maximum	Minimum
Currency	$ 0.194	0.953	(0.194)

(Continued)

Sensitivities for pesos-dollar currency options, "greeks".

Below is the position and the currency options portfolio sensitivities at December 31, 2009 (unaudited information):

Greeks	Delta	Gamma	Vega	Theta	Rho
Currency options MXN/USD	(50.234)	(15.006)	(0.298)	0.075	0.030

Below is a table for the period of October to December 2009 which includes the average, maximum and minimum sensitivities of exchange rate options. Worth highlighting is fact that the average negative delta exposure was $0.64 (unaudited information):

	Delta	Gamma	Theta	Rho	Vega
Minimum	(3.64)	(1.15)	–	0.00	(0.30)
Maximum	1.39	0.43	0.07	0.01	0.30
Average	(0.64)	(0.13)	0.01	0.01	(0.01)

Market risk management in available-for-sale securities-

At December 31, 2009, the position of the Bank's available-for-sale securities amounts to $8,525. 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 the December 2009 close, the position of the Brokerage Firm's available-for-sale securities amounted to $219.3. Available-for-sale securities are considered within the structural position of the Brokerage Firm.

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

At December 31, 2009, the sensitivity of investment securities classified as available-for-sale and held-to-maturity account for 0.02% and 0.08%, respectively, of the book value for the Bank whereas in the case of the Brokerage Firm, the sensitivity corresponds to 1.0% of the book value for available-for-sale securities. Sensitivity analysis was performed for all non-impaired securities (unaudited information).

Bank		Available-for-sales	To Maturity
Available for sale securities	$	8,525	2,293
Sensitivities ($)		2	2
Sensitivities (%)		0.02%	0.08%
Brokerage Firm			
Available-for-sale securities	$	219	
Sensitivities ($)		2	
Sensitivities (%)		1.0%	

(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.

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 2009 and 2008 (unaudited information):

Description		2009	2008
Two-week accumulated gap (Mexican pesos + UDIs)	$	(5,021)	(9,300)
Liquid assets		5,348	6,761

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.

(Continued)

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 2009 close for the Bank (unaudited information):

Maturity (years)		Held to maturity	Available for sale	Trading	Total for maturity period	Concentration
December 2009						
0.5	$	-	340	4,244	4,584	19.6%
1		-	1,714	2,929	4,643	19.8%
2		-	2,100	299	2,398	10.2%
3		-	565	1,860	2,425	10.3%
4		-	564	2,993	3,557	15.2%
+5		2,293	3,113	234	5,640	24.1%
Without maturity		-	129	52	181	0.8%
	$	2,293	8,525	12,611	23,428	100.0%
Concentration		9.80%	36.40%	53.80%	100.00%	

**/ Trading includes value date sales.

Bank information not considering consolidation effects with subsidiaries.

Investment securities for the Brokerage Firm have the following maturity periods (unaudited information):

Maturity (years)		Held to maturity	Available for sale	Trading	Total for maturity period	Concentration
December						
0.5	$	-	-	458	458	28.9%
1		-	-	345	345	21.8%
Without maturity		-	219	561	780	49.3%
	$	-	219	1,364	1,583	100.0%

(Continued)

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, 2009 (unaudited information):

Assets cash flows			Liabilities cash flows		
Date		**Amount**	**Date**		**Amount**
07-01-10	$	800	04-01-10	$	230
08-01-10		150	07-01-10		150
11-01-10		1,350	11-01-10		100
12-01-10		200	18-01-10		100
14-01-10		50	20-01-10		530
15-01-10		320	21-01-10		350
18-01-10		350	25-01-10		260
19-01-10		30	26-01-10		1,320
20-01-10		50	28-01-10		50
21-01-10		150	29-01-10		730
22-01-10		50			
28-01-10		150	Total	$	3,820
Total	$	3,650			

(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.

(Continued)

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.

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.

(Continued)

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).

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.

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The chart below shows the correlation between the internal grades and those established in the aforementioned Provisions:.

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

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.

(Continued)

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.

(Continued)

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.

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.

(Continued)

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.

Portfolios and segments to which the Credit Risk methodology applies are: a) Non-retail portfolio: Corporate, Commercial, Scotia Empresarial; Federal Government, States and Municipalities; b) Retail portfolio: Mortgage, Credit Card, Personal Loans; and c) Non-traditional portfolio: Money Market and Derivatives.

- 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")*.

(Continued)

- 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, personal and residential mortgage loans).
- Furthermore, stress testing is performed regularly as to both expected and unexpected losses.

Below are the expected and unexpected losses in nominal amounts as of December and the average of the last quarters of 2009 and 2008 (unaudited):

		2009		2008	
		Closing	**Average**	**Closing**	**Average**
Exposure	$	231,320	235,959	253,163	343,157
Unexpected loss [1]		8,439	8,195	7,425	7,419
Expected loss [1]		1,713	1,644	1,229	1,250

[1] Current 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 2009 close (unaudited information):

S&P		Held to maturity	Available for sale	Trading	Total for risk type	Concentration
Bank						
mxAAA	$	2,293	6,267	7,376	15,936	68.0%
mxA-		–	803	5,182	5,985	25.5%
mxBBB+		–	1,325	–	1,325	5.7%
Unrated		–	130	52	182	0.8%
	$	2,293	8,525	12,610	23,428	100%

Bank information not considering consolidation effects with subsidiaries.

As part of the mortgage Sofoles refinancing program at December 31, 2009 there is an exposure of $163 of which the Sociedad Hipotecaría Federal guarantees 65%.

S&P		Held to maturity	Available for sale	Trading	Total for risk type	Concentration
Brokerage Firm						
mxAAA	$	-	-	511	511	32.3%
mxA-		-	-	292	292	18.4%
D		-	17	-	17	1.1%
Sin calificación		-	219	544	763	48.2%
	$	-	236	1,347	1,583	100.0%

The investments in Comerci stock certificates, currently impaired, have a book value of $17, which represents 10.0% of the face value.

Credit risk in derivatives operations

Below is the maximum exposure and concentration for counterparty type at the end of December 2009:

Counterparty type	Exposure	%
Financial institutions	$ 25,393	92.7%
Corporations	2,008	7.3%
Total maximum exposure	$ 27,401	100%

(Continued)

For the Brokerage Firm the maximum exposure and concentration by counterparty type at the end of December 2009 is as follows:

Counterpart type	Exposure	%
Financial institutions	$ 43	100%

Below we present the credit rating of financial assets relating to derivatives with fixed-rate loans hedged through the fair value methodology at the December 2009 close and which have the following credit rating according to the Banking Commission's scale (unaudited information):

	December 2009	
Rating	Amount	Total %
A1	$ 4,100	56.5%
A2	840	11.6%
B1	2,079	28.7%
B2	26	0.3%
C1	208	2.9%
Total	$ 7,253	100.0%

Other types of assets related to variable-rate loans that have been hedged through the cash flow methodology at December 2009 have a position of $3,650. The covered portfolio is a subset of the total commercial portfolio which risk level at December 31, 2009 is equivalent to an A2 level in the Banking Commission's scale. The classification is as follows (unaudited information):

	December 2009	
Rating	Amount	Total %
A1	$ 1,359	37.2%
A2	705	19.3%
B1	1,555	42.6%
B2	31	0.9%
Total	$ 3,650	100.0%

The loan amount hedged through derivatives that was renegotiated amounts to $433.3 and represents 6.04% of the book value of fair value hedges (unaudited information).

(Continued)

(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.

(Continued)

- 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.

- 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 Banking Commission for management of this risk, maintaining the technological risk management process independent of the Systems area, ensuring that all 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.

As a result of the Operational Risk management, the Group has identified operational risks for legal contingencies, which if they materialize, would cause a negative impact on the Group's financial position at December 31, 2009 and 2008 of $357 y $374, respectively, which were fully reserved. Furthermore, the expected and unexpected losses associated with such contingencies are estimated at $26 and $202, respectively.

At the close of 2009, the Group had built a historic database of operational risk losses which includes losses incurred during the period between January 2005 and December 2009, which aggregate 52,547 loss events with a total value of $642, classified under 23 risk categories, itemized on the next page (unaudited information):

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(Millions of pesos)

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

Risk factors	2005	2006	2007	2008	2009	Grand total, carried forward
Regulatory (fines and penalties)	$ 104,767	705	1,688	2,988	828	110,976
Lost lawsuits	77,722	31,638	6,764	2,718	4,554	123,396
Frauds (internal and external)	3,051	1,424	5,319	43,961	32,433	86,188
Bank card frauds	8,622	15,790	26,873	25,683	26,044	103,012
Phishing	14,456	1,352	4,701	151	302	20,962
Pharming	-	-	-	-	2,861	2,861
Assaults	2,296	949	3,186	3,794	4,685	14,910
Labor lawsuits	-	-	35	5,712	13,281	19,028
Miscellaneous checks	427	1,739	2,946	991	2,832	8,935
Shortages and forgeries (cash supply)	519	489	977	910	427	3,322
Accounting differences	533	386	378	214	4	1,515
Documentary (lost documentation)	58	-	-	-	23	81
Former employee indebtedness	–	12	10	3	-	25
Shortages and forgeries (foreign currency)	278	552	291	232	499	1,852
Irrecoverable amounts	29	12	753	9,219	551	10,564
Overdrafts	3	29	20	12	7	71
Trading	12,452	7,956	1,218	-	-	21,626
Errors in executing transactions	-	146	1,929	3,147	3,070	8,292
Fixed asset damages	-	-	975	-	-	975
System failures	-	-	8,014	521	659	9,194
Fiscal	-	-	20,837	-	737	21,574
Politics and procedures	-	-	-	-	71,336	71,336
Other	-	21	263	305	387	976
Total	$ 225,213	63,200	87,177	100,561	165,520	641,671

(Continued)

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

Notes to the Consolidated Financial Statements

(Millions of pesos)

Risk factors		Grand total brought forward	Events Number	Events Average Amount
Regulatory (fines and penalties)	$	110,976	384	289
Lost lawsuits		123,396	155	796
Frauds (internal and external)		86,188	718	120
Bank card frauds		103,012	43,965	2
Phishing		20,962	106	198
Pharming		2,861	21	136
Assaults		14,910	142	105
Labor lawsuits		19,028	72	264
Miscellaneous checks		8,935	509	18
Shortages and forgeries (cash supply)		3,322	978	3
Accounting differences		1,515	1,273	1
Documentary (lost documentation)		81	5	16
Former employee indebtedness		25	11	2
Shortages and forgeries (foreign currency)		1,852	770	2
Irrecoverable amounts		10,564	3,174	3
Overdrafts		71	56	1
Trading		21,626	58	373
Errors in executing transactions		8,292	291	28
Fixed asset damages		975	2	487
System failures		9,194	72	128
Fiscal		21,574	9	2,397
Politics and procedures		71,336	1	71,336
Other		976	45	22
Total	$	641,671	52,817	12

(Continued)

Counterpart credit rating (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

Counterpart credit rating (Brokerage):

Nacional scale(Caval)	Long term	Short term	Perspective
Moody's	Aaa.mx	MX-1	Stable
Standard & Poor´s	mxAAA	mxA-1+	Stable

(24) Subsequent event

On January 11, 2010, Scotia Afore transferred the ceded portfolio as mentioned in note 1, to Afore Profuturo and the agreed-upon amount of $200 was received in one installment.

At the General Extraordinary Stockholders' Meeting of Scotia Afore held on January 12, 2010 it was resolved that the entity should continue existing as a service company and so the corporate purpose was amended and to change the corporation's name to Servicios Corporativos Scotia, S. A. de C. V., Grupo Financiero Scotiabank Inverlat

(25) Recently issued accounting standards-

The CINIF has issued the following FRS, effective for years beginning January 1st, 2010 or 2011. As indicated.

(a) ***FRS B-5 "Segment information"***– FRS B-5 is effective as of January 1, 2011. Changes as compared to superseded Bulletin B-5 "Segment Information" include the following:

- The information to be disclosed by operating segment is that regularly used by senior management and it does not require the segmentation into primary and secondary information, nor is it to be referred to segments identified based on products or services (economic segments), geographical areas and homogeneous groups. Additionally, disclosure of information on the whole entity's products or services geographical areas and principal clients and suppliers is required.

- Does not require that the entity's business areas be subject to different risks to qualify as operating segments.
- Allows business areas in pre-operating stage to be catalogued as operating segments.
- Requires disclosure by segment and separately, revenue and interest expense as well as all other components of comprehensive financial results (CFR). In specific cases, the FRS B-5 permits disclosure of net interest income.
- Requires disclosure of the liability amounts included in the usual operating segment information normally used by senior management in making the entity's operating decisions.

According to Criterion A1 "Basic scheme of the set of accounting criteria applicable to Credit Institutions", financial institutions should adhere to the provisions of criterion C-4 "Segment Information" of the General provisions applicable to credit institutions.

As a result of changes in B-5, it was homologized with criterion C-4 in that operating segment is equivalent to unit, with activities that generate revenue and expenses, which are reviewed periodically by management in order to assess performance. On the other hand, criterion C-4 is more specific in terms of the minimum segments to be considered in the case of full-service banks.

(b) ***FRS B-9 "Interim financial reporting"***- FRS B-9 is effective from January 1, 2010. Changes as compared to superseded Bulletin B-9 "Interim financial reporting" include the following:

- Requires that the interim financial information includes a comparative and condensed balance sheet, income statement, statement of stockholders' equity and statement of cash flows and, for non-profit entities, it expressly requires the presentation of a statement of activities.
- Establishes that the financial information at the end of an interim period should be presented comparatively with the equivalent interim period of the immediately preceding year and, in the case of the balance sheet, compared also to such financial statement at the immediately preceding year-end date.

(Continued)

- Includes and defines new terminology.

  According to criterion A-2 "Application of Specific Standards" banks and financial institutions should adhere to FRS B-9.

  In addition to FRS B-9, Title three "Of Financial Information and its Disclosure and of Valuation" of Chapter II "Disclosure of financial information, financial statements and texts to be noted in the margin" of the General Provisions Applicable to Credit Institutions, issued by the Banking Commission, certain points are provided that should be considered by the financial institutions with a view to presenting interim financial statements.

(c) ***FRS C-1 "Cash and cash equivalents"-*** FRS C-1 supersedes Bulletin C-1 "Cash" and is effective as of January 1, 2010. The principal changes with respect to the former standard include the following:

- FRS C-1 requires the presentation of cash and cash equivalents, restricted, within the balance sheet caption of "Cash and cash equivalents".
- The term "demand temporary investments" is replaced by "available demand investments".
- To be identified as cash equivalents, the investments should be highly liquid, for example those with original maturities of three months or less when purchased.

FRS C-1 includes the definition of the terms: acquisition cost, restricted cash and cash equivalents, highly liquid investments, net realizable value, nominal value and fair value.

According to criterion A1 "Basic scheme of the set of accounting criteria applicable to Credit Institutions", financial institutions should adhere to the provisions of criterion B-1 "Cash and cash equivalents" of general provisions applicable to credit institutions.