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LISTING OFFERING MEMORANDUM

U.S.$150,000,000

Banca Mifel®
Servicios financieros con rostro humano

Banca Mifel, S.A.

9.750% Fixed Rate Cumulative Subordinated Preferred Notes due 2022

Banca Mifel, S.A., Institución de Banca Múltiple, Grupo Financiero Mifel, a Mexican bank incorporated under the laws of the United Mexican States ("Mexico"), offered U.S.$150,000,000 aggregate principal amount of its 9.750% Fixed Rate Cumulative Subordinated Preferred Notes due 2022 (the "Notes"). The Notes will mature on May 16, 2022 (the "Maturity Date") unless previously redeemed. We may redeem the Notes, subject to any regulatory requirements applicable for purposes of redeeming the Notes (including obtaining the approval of the Mexican Central Bank, or "*Banco de México*"), at any time if there are specified changes in (i) the Mexican or United States laws affecting the withholding tax applicable to payments of interest or interest – like amounts under the Notes, (ii) the Mexican laws that result in a Special Event (as defined in this offering memorandum) or (iii) the applicable tax laws that result in interest on the Notes not being deductible by us in whole or in part for Mexican income tax purposes. See "Description of the Notes—Redemption—Withholding Tax Redemption; and —Special Event Redemption." If our Capital Ratio (as defined in this offering memorandum) has declined below the minimum percentage required from time to time by the Mexican Capitalization Rules (as defined in this offering memorandum) or if a Mexican Regulatory Event (as defined in this offering memorandum) occurs, we will suspend payment of both interest and principal thereon until the end of the related Suspension Period (as defined in this offering memorandum). Because payment of interest on the Notes is cumulative, in the event that payments of interest cease during any Suspension Period, you will have the right to receive any amount of unpaid interest at the end of the Suspension Period. See "Description of the Notes—Treatment of Interest During a Suspension Period."

The Notes will bear interest from (and including) May 16, 2012 (the "Issue Date") at the fixed rate of 9.750% per annum, payable semi-annually in arrears on May and November of each year (each an "Interest Payment Date") beginning on November 16, 2012.

The Notes will be denominated in U.S. dollars and will be our general, unsecured, subordinated, cumulative, preferred obligations. In the event of our bankruptcy (*concurso mercantil or quiebra*), liquidation or dissolution under Mexican law, the Notes will rank (i) junior to all of our present and future senior indebtedness, (ii) *pari passu* with all of our other present or future subordinated preferred indebtedness, and (iii) senior to all our unsecured subordinated and non-preferred indebtedness and all classes of our capital stock, as described in this offering memorandum. See "Description of the Notes—Subordination." Payment of principal on the Notes may be accelerated only in the case of certain events involving our bankruptcy, liquidation or dissolution. In accordance with Articles 134 Bis and 134 Bis 1 of the Mexican Banking Law (*Ley de Instituciones de Crédito*), there will be no right of acceleration in the case of a default in the performance of any of our covenants, including the payment of principal and interest in respect of the Notes, or in the case of any deferral in the payment of interest in respect of the Notes. See "Description of the Notes—Events of Default, Notice and Waiver." The Notes will be unsecured and not insured or guaranteed by the Savings Protection Agency (*Instituto para la Protección al Ahorro Bancario*) or guaranteed by any of our affiliates.

This offering memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on Prospectuses for Securities.

We applied to list the Notes on the Official List of the Luxembourg Stock Exchange ("LuxSE"), and to trade the Notes on the Euro MTF market.

Investing in the Notes involves risk. See "Risk Factors" beginning on page 22.

Price: 98.442%
plus accrued interest, if any, from and including May 16, 2012.

The delivery of the Notes was made in book-entry form only through the facilities of The Depository Trust Company ("DTC") in New York, New York, including for the account of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"), on May 16, 2012.

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

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or under any state securities laws. Therefore, we may not offer or sell the Notes within the United States or to, or for the account or benefit of, any U.S. person unless the offer or sale would qualify for a registration exemption from the Securities Act and applicable state securities laws. Accordingly, the Notes are only being offered: (1) to qualified institutional buyers (as defined in Rule 144A under the Securities Act, "Rule 144A") and (2) outside the United States in compliance with Regulation S under the Securities Act, "Regulation S". See "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions.

Sole Book-Running Manager

Credit Suisse

The date of this offering memorandum is July 13, 2012.

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You should rely only on the information contained in this offering memorandum. We have not authorized any person to provide you with any information or represent anything about us or this offering that is not contained in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchaser. We are not, and the Initial Purchaser is not, making an offer to sell these Notes in any jurisdiction where an offer or sale is not permitted.

BANCO DE MÉXICO HAS AUTHORIZED THE ISSUANCE OF THE NOTES, AS REQUIRED UNDER APPLICABLE MEXICAN LAW. AUTHORIZATION OF THE ISSUANCE OF THE NOTES BY *BANCO DE MÉXICO* DOES NOT ADDRESS THE LEGAL, TAX OR OTHER CONSEQUENCES TO THE HOLDERS OF THE NOTES, NOR DOES IT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES OR OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY, OR THE ACCURATE TRANSLATION OF THE TERMS OF APPLICABLE MEXICAN LAW AND REGULATION, INCLUDING ARTICLES 134 BIS AND 134 BIS 1 OF THE MEXICAN BANKING LAW (*LEY DE INSTITUCIONES DE CRÉDITO*) AND RELEVANT PROVISIONS OF CIRCULAR 2019/95 ISSUED BY *BANCO DE MÉXICO*.

The Notes or any interest therein may not be purchased or held by (i) any plan, program or arrangement subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") or comparable provisions of any federal, state, local or foreign law ("Similar Law") or (ii) any person acting on behalf of or using the assets of any such plan, program or arrangement, unless such purchase and holding is covered by the exemptive relief provided by (i) Prohibited Transaction Class Exemption ("PTCE") 96-23, 95-60, 91-38, 90-1 or 84-14, (ii) Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or (iii) another applicable exemption. Any purchaser or holder of Notes or any interest therein will be deemed to have represented by its purchase or holding thereof that either (i) it is not a plan, program or arrangement subject to ERISA, Section 4975 of the Code or substantially similar provisions of any federal, state local or foreign law and it is not purchasing securities on behalf of or using the assets of any such plan, program or arrangement or (ii) such purchase and holding and any subsequent disposition of such Notes is covered by the exemptive relief provided by (i) PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, (ii) Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or (iii) another applicable exemption under ERISA or the Code (or, in the case of a plan, program or arrangement not subject to ERISA or the Code, under Similar Law). Prospective purchasers must carefully consider the restrictions on purchase set forth in "Transfer Restrictions" and "Certain ERISA Considerations."

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes in any jurisdiction in which it is unlawful to make such an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made under this offering memorandum will under any circumstances imply that there has been no change in our affairs or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

None of the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission or other regulatory agency has approved or disapproved the Notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse Securities (USA) LLC (the "Initial Purchaser") makes no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation by the Initial Purchaser as to the past or future. The Initial Purchaser assumes no responsibility for the accuracy or completeness of any such information.

This offering memorandum does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. Copies of the documents referred to in this offering memorandum may be obtained from: Banca Mifel, S.A., Institución de Banca Múltiple, Grupo Financiero Mifel, Presidente Masaryk No. 214, Piso 2, Col. Polanco Chapultepec 11560 México D.F., Attention: Bulmaro Guzmán Ruíz.

We have prepared this offering memorandum solely for use in connection with the offer of the Notes and take responsibility for its contents. No other person is responsible for its contents. We and other sources we believe to be reliable have furnished the information contained in this offering memorandum. Nothing contained in this offering memorandum is or shall be relied upon as a promise or representation, whether as to the past or the future. The opinions and intentions expressed in this offering memorandum with regard to us are honestly held, have been reached after considering all known relevant

circumstances and are based on reasonable assumptions, and all reasonable inquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly. This offering memorandum may only be used for the purposes for which it was published.

You should only rely on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. Neither we nor the Initial Purchaser are making an offer of the Notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the cover of this offering memorandum regardless of time of delivery or any sale of the Notes.

You must comply with all laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the Notes, and you must obtain any required consent, approval or permission for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make purchases, offers or sales, and neither we nor the Initial Purchaser have any responsibility for those transactions. See “Transfer Restrictions.”

You acknowledge that (1) you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum, (2) you have not relied on us, the Initial Purchaser or any person affiliated with us or the Initial Purchaser in connection with your investigation of the accuracy of the information or your investment decision, and (3) no person has been authorized to give any information or to make any representation concerning us or the Notes other than as contained in this offering memorandum. If given or made, any such other unauthorized information or representation about us or the Notes should not be relied upon.

The Notes may not be transferred or resold except as permitted under the Securities Act, the rules and regulations thereunder and applicable state securities laws. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See “Risk Factors” for a description of specified factors relating to an investment in the Notes. Neither we, the Initial Purchaser, nor any of our or its respective representatives are making any representation to you regarding the legality of an investment by you under appropriate legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICES TO RESIDENTS OF THE UNITED KINGDOM

In connection with the issue of the Notes, Credit Suisse Securities (Europe) Limited (the "Stabilizing Manager"), or any person acting on behalf of the Stabilizing Manager, may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager, or any person acting on behalf of the Stabilizing Manager, will undertake stabilization action. Stabilization activities in the United Kingdom, if any, must be brought to an end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and rules.

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

This offering memorandum has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this offering memorandum as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the Bank has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Bank nor the Initial Purchaser has authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any initial purchaser to publish or supplement a prospectus for such offer. The expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

ENFORCEMENT OF CIVIL LIABILITIES

Banca Mifel is a limited liability company (*sociedad anónima*) organized as a multiple services bank (*institución de banca múltiple*) under the laws of Mexico. All of our directors and officers (and certain experts named herein) are non-residents of the United States, and all or substantially all of our and their assets are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon these persons with respect to matters arising under United States federal securities or other U.S. laws or to enforce against us or them judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the federal securities or other laws of the United States or any state thereof.

We have also been advised by our Mexican legal counsel, Ritch Mueller, S.C., that there is doubt as to the enforceability in Mexico, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated solely upon the federal securities or other laws of the United States or any state thereof.

AVAILABLE INFORMATION

We will furnish, upon the request of any registered or beneficial owner of a Note, such information as is specified in paragraph (d)(4) of Rule 144A (a) to such noteholder, (b) to a prospective purchaser of such Note who is a qualified institutional buyer ("QIB") designated by such noteholder or (c) to the trustee for delivery to such noteholder or such prospective purchaser so designated, in each case in order to permit compliance by such noteholder with Rule 144A in connection with the resale of such Note in reliance upon Rule 144A unless, at the time of such request, we are subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), or are included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act (and therefore are required to furnish to the SEC certain information pursuant to Rule 12g3-2(b) under the Exchange Act). For so long as the Notes are outstanding, such information will also be available at our specified offices and (for so long as the Notes are listed on the LuxSE at the offices of the Luxembourg paying agent. Following completion of this offering, we will not be otherwise obligated to furnish holders or others with any supplemental information, discussion or analysis of our business or financial reports other than as described below.

We will make available to the holders of the Notes, at the corporate trust office of the trustee at no cost, copies of the indenture relating to the Notes, as well as this offering memorandum, and our annual audited financial statements prepared in conformity with Mexican Banking GAAP (as defined in this offering memorandum under the caption "Presentation of Financial and Other Information"). We will also make available at the office of the trustee our unaudited quarterly financial statements prepared in accordance with Mexican Banking GAAP. Information is also available at the office of the Luxembourg Listing Agent (as defined in this offering memorandum).

We applied to list the Notes on the Official List of the LuxSE and to trade the Notes on the Euro MTF market. This offering memorandum forms, in all material respects, the listing memorandum for admission to the LuxSE. We will be required to comply with any undertakings given by us from time to time to the LuxSE in connection with the Notes, and to furnish to it all such information that the rules of the LuxSE may require in connection with the listing of the Notes. If, as a result of applicable rules and regulations relating to trading of the Notes on the Euro MTF market, we could be required to publish financial information either more regularly than we otherwise would be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare their published financial information, we may delist the Notes from the Euro MTF market or seek an alternate admission to listing, trading and/or quotation for the Notes on a different section of the LuxSE or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as we may decide.

The contents of our website do not form any part of this offering memorandum.

CERTAIN DEFINITIONS

In this offering memorandum, unless the context otherwise requires, references to "we," "our," "us," "Banca Mifel" and the "Bank" refer to Banca Mifel, S.A., Institución de Banca Múltiple, Grupo Financiero Mifel; and references to "Grupo Financiero Mifel" refer to "Grupo Financiero Mifel, S.A. de C.V.," our parent holding company.

The following definitions are used in this offering memorandum:

- "Exchange Act" means the United States Securities Exchange Act of 1934, as amended.
- "General Rules for Banks" means the General Rules Applicable to Mexican banks (*Disposiciones de Carácter General Aplicables a las Instituciones de Crédito*) published by the CNBV in the Official Gazette of the Federation *(Diario Oficial de la Federación)* on December 2, 2005, as amended through the date hereof and as such regulations may be further amended or superseded from time to time.
- "IPAB" means the Mexican *Instituto para la Proteccion al Ahorro Bancario*.
- "Mexican Stock Exchange" means the *Bolsa Mexicana de Valores*, *S.A.B. de C.V.*
- "Mexico" means the United Mexican States.
- "National Banking and Securities Commission" or "CNBV" means the *Comisión Nacional Bancaria y de Valores*.
- "National Securities Registry" or "RNV" means the *Registro Nacional de Valores*.
- "Non – interest income" means (i) commissions and fees received, (ii) commissions and fees paid and (iii) net gain or loss in brokerage operations. The concept of non-interest income is not a term used in our Financial Statements, but it is used by our management to analyze our results.
- "Preliminary unaudited financial information" means the financial information for the first quarter of Banca Mifel, subject to the following qualifications: (1) the information is unaudited, (2) the information does not contain all of the information and disclosures normally included in financial statements prepared in accordance with Mexican Banking GAAP, and (3) the results for the three-month period ended March 31, 2012 are not necessarily indicative of the results Banca Mifel would obtain for the full year 2012 or for any other period. Therefore, the first quarter 2012 results herein are meant only to provide purchasers of the Notes with a preliminary view of Banca Mifel's first quarter 2012 financial information, and, as such, should only be read in conjunction with the audited financial statements included herein.
- "SEC" means the United States Securities and Exchange Commission.
- "Securities Act" means the United States Securities Act of 1933, as amended.
- "SME" means small and medium enterprises (*pequeña y mediana empresa*), which comprises enterprises varying in numbers of employees between approximately 5-100 employees (commerce), 20-100 employees (services) and 30-500 employees (industry).
- "Sofol" means limited purpose financial company or *sociedad financiera de objeto limitado*. These companies are sometimes referred to as "non-bank banks." See "Mexican Financial Industry—Deregulation of Lending Entities and Activities."
- "Sofom" means multiple purpose financial company or *sociedad financiera de objeto múltiple*. These companies may be regulated or non-regulated (depending upon their affiliation with a

Mexican bank) and may engage in leasing, factoring and lending activities, as well as certain limited trust activities. These companies are also sometimes referred to as "non-bank banks." See "Mexican Financial Industry—Deregulation of Lending Entities and Activities."

- "Total net operating revenue" means financial margin after provision for loan losses plus non-interest income (as previously defined) and other operating income – net. This term is not used in our Financial Statements.

Terms Relating to Our Capital Adequacy

In addition, the following terms relating to our capital adequacy have the meanings set forth below, unless otherwise indicated.

- "Capital Ratio" refers to the ratio of total net capital to risk-weighted assets calculated in accordance with the methodology established from time to time by the CNBV pursuant to the Mexican Capitalization Rules.

- "Mexican Capitalization Rules" refers to the capitalization requirements for commercial banks set forth in the General Rules for Banks, as such rules may be amended or replaced from time to time.

- "Tier 1 capital" refers to the basic portion (*parte básica)* of total net capital, as such term is defined and determined based on the Mexican Capitalization Rules, which may vary from Basel II requirements.

- "Tier 2 capital" refers to the additional portion (*parte complementaria*) of total net capital, as such term is defined and determined based on the Mexican Capitalization Rules, which may vary from Basel II requirements.

- "Total capital" or "total net capital" refers to net capital (*capital neto)*, as such term is determined based on the Mexican Banking Law and the Mexican Capitalization Rules referred to below.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering memorandum, except as otherwise indicated, currency amounts are expressed in Mexican pesos ("Ps." or "pesos") or in United States dollars ("dollars" or "U.S.$") and all references to "billion" are to a thousand million.

Financial Statements

This offering memorandum includes our audited financial statements as of December 31, 2010 and 2011, and for the years ended December 31, 2009, 2010 and 2011 together with the notes thereto (collectively, the "Financial Statements"). The Financial Statements have been prepared in accordance with the accounting principles and regulations prescribed by the CNBV for credit institutions, as amended ("Mexican Banking GAAP").

Accounting Principles

Mexican Banking GAAP differs from Mexican Financial Reporting Standards (*Normas de Información Financiera)*, referred to as MFRS, as currently in effect issued by the *Consejo Mexicano de Normas de Información Financiera, A.C.* ("CINIF"). Mexican Banking GAAP also differs in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). For a summary of the principal differences between Mexican Banking GAAP and U.S. GAAP, as they relate to the Financial Statements, see Annex A of this offering memorandum. No reconciliation of any of the Financial Statements to U.S. GAAP has been prepared for purposes of this offering memorandum. Any such reconciliation might reveal material differences.

During 2011 the CNBV issued new methodologies for rating mortgage and non-revolving consumer loans as well as loans granted to Mexican state and municipal governments. The change in methodologies was recognized prospectively and resulted in a decrease in the allowance for loan losses of Ps.7 million (of mortgage and non-revolving consumers loans) and of Ps.46 million (of commercial loans granted to Mexican state and municipal governments), as compared to the allowance for loan losses required in the month prior to the adoption of the new methodology. Consequently, our financial statements for the year ended 2011 are not comparable to our financial statements for the years ended 2010 and 2009. See Note 3(f) to the Financial Statements.

The CNBV also provided us with an accounting accommodation through statement number 100/012/2011 dated July 11, 2011, in accordance with the provisions of Article 175 of the General Rules for Banks, in connection with the corporate structuring process conducted to strengthen our operating and control framework. This accounting accommodation resulted in the direct recognition in retained earnings of certain commissions relating to loan structuring and professional services performed by us, which previously had been recognized in our statements of income during the years ended December 31, 2010 and 2009, and presentation of the corresponding amount within liabilities until earned under the criterion of the CNBV. The net effect of this accommodation was a charge to retained earnings during 2011 of Ps.83 million. Beginning in 2011, our policies for recognizing such commissions and professional services were modified accordingly and, as a result, our financial statements for the year ended 2011 are not comparable to our financial statements for the years ended 2010 and 2009. See Note 24 to the Financial Statements.

There was no significant volatility in the rate of inflation in Mexico during the periods for which financial information is presented herein. The annual rate of inflation was 3.57% for 2009, 4.40% for 2010 and 3.82% for 2011.

Currency

This offering memorandum contains translations of certain peso amounts into dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent such dollar amounts or could, at this time, be

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converted into dollars at the rates indicated. Unless otherwise indicated, U.S. dollar amounts that have been translated from pesos have been translated at an exchange rate of Ps.13.9476 (referred to herein as Ps.13.95 per U.S. dollar for rounding purposes) per U.S. dollar, the exchange rate in effect for December 31, 2011 as published in the Official Gazette of the Federation by *Banco de México* for the payment of obligations denominated in currencies other than Pesos and payable within Mexico (the ‘‘Banco de México Exchange Rate’’). Amounts used for the convenience translation into U.S. dollars are stated in whole pesos. As of December 30, 2011, the noon buying rate in New York City for cable transfers in pesos per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York was Ps.13.95 per U.S. dollar. Certain financial data related to March 31, 2012 has been translated into U.S. dollars for the convenience of the reader at an exchange rate of Ps.12.8489 per U.S. dollar (referred to herein as Ps.12.85 per U.S. dollar for rounding purposes).

References herein to ‘‘UDIs’’ are to *Unidades de Inversión*, a peso-equivalent unit of account indexed for Mexican inflation. UDIs are units of account whose value in Pesos is indexed to inflation on a daily basis, as measured by the change in the National Consumer Price Index. Under a UDI-based loan or financial instrument, the borrower’s nominal peso principal balance is converted either at origination or upon restructuring to a UDI principal balance, and interest on the loan or financial instrument is calculated on the outstanding UDI balance of the loan or financial instrument. Principal and interest payments are made by the borrower in an amount of pesos equivalent to the amount due in UDIs at the stated value of the UDIs on the day of payment. As of December 31, 2011, one UDI was equal to approximately Ps.4.69 (U.S.$0.34).

Terms Relating to Our Loan Portfolio

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

“Total performing loans” and “total performing loan portfolio” refer to the aggregate of (i) the total principal amount of loans outstanding as of the date presented, (ii) amounts attributable to “accrued interest” and (iii) “rediscounted loans.” Under Mexican Banking GAAP, we include as income for any reporting period interest accrued but unpaid during that period. Such “accrued interest” is reported as part of our total performing loan portfolio in the financial statements until it is paid or becomes part of the total non-performing loan portfolio in accordance with the CNBV’s rules. “Rediscounted loans” are peso- and dollar-denominated loans made to finance projects in industries that qualify for priority status under the wholesale lending programs of the Mexican government's development banks and are generally funded by such development banks. In accordance with Mexican Banking GAAP, rediscounted loans are recorded on the balance sheet as outstanding loans.

Unless otherwise specified herein, the terms “total performing loans” and “total performing loan portfolio,” as used in this offering memorandum, do not include “total non-performing loans,” as defined below.

The terms “total non-performing loans” and “total non-performing loan portfolio” include past due principal and past due interest. For a description of how our total non – performing loans are recorded in our financial statements, see Note 3(e) to our Financial Statements.

References in this offering memorandum to “provisions” are to additions to the loan loss allowance or reserves recorded in a particular period and charged to income, except in the case of certain provisions associated with loans and other loan losses with respect to foreclosed assets, which were charged to stockholders' equity (net of deferred taxes). References in this offering memorandum to “allowance” are to the aggregate loan loss allowance or reserves shown as of a particular date as a balance sheet item.

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

The loan portfolio information provided in “Selected Statistical Information” was determined in accordance with the manner in which we have presented the components of our loan portfolio in other sections of this offering memorandum as described above. See “Selected Statistical Information—Loan Portfolio” and the footnotes to the tables included therein.

Rounding

We have made rounding adjustments to certain numbers included in this offering memorandum. As a result, numerical figures presented as totals may not always be the arithmetic aggregations of their components, as presented.

Market Share and Ranking Information

Unless otherwise indicated, the market share and ranking information included in this offering memorandum is derived from statistics of the CNBV, *Banco de México*, the Mexican Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*, or the “SHCP”), the Mexican Banks Association (*Asociación de Banqueros de Mexico, A.C.*, or the “ABM”), the Mexican National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*, or “INEGI”), *Controladora Prosa, S.A. de C.V.* (“Prosa,” a Mexican clearing agency for automatic teller machines (“ATMs”) and debit and credit cards) or Reuters Limited, a Thomson Reuters company (“Reuters”).

FORWARD-LOOKING STATEMENTS

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

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

- competition;
- changes to regulations that facilitate entry to market by non – regulated niche competitors;
- profitability of our businesses;
- credit and other risks of lending, such as increases in default of borrowers;
- limitations on our access to sources of financing on acceptable terms;
- failure to meet capital or other requirements;
- changes in reserve requirements;
- regulatory changes affect our ability to freely determine interest rates or the assessment of fees for the services we offer;
- changes in requirements to make contributions to government protection agencies or for the receipt of support from programs organized by the Mexican government;
- changes to anti-money laundering statutes that require more stringent monitoring and that limit our ability to complete certain transactions;
- changes in overall economic conditions in Mexico, including exchange rates and interest rates;
- changes in exchange rates, market interest rates or the rate of inflation;
- new rules affecting the salaries or bonuses we pay to our employees;
- the effect of changes in accounting principles, new legislation, intervention by regulatory authorities, government directives or monetary or fiscal policy in Mexico; and
- the other factors discussed under “Risk Factors” in this offering memorandum.

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

SUMMARY

This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this offering memorandum. In particular, prospective investors in the Notes should carefully consider the factors set forth under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Bank

Banca Mifel is a limited liability company *(sociedad anónima)* incorporated on December 3, 1993 as a multiple services bank (*institución de banca múltiple*) to provide a wide range of retail and corporate banking services in Mexico that can trace its origins back to 1953 when it was founded as *Promocion y Fomento,* a financing institution. Banca Mifel is one of the few remaining banks in Mexico that is not a subsidiary of a foreign financial institution.

Our business model focuses on offering attractive deposit products to the upper-middle and upper-income segments of the economy and providing low risk loans to medium and large corporations. In addition, our lending activities target various economic sectors, such as corporate clients, home developers, urban infrastructure projects, Mexican state and municipal governments and individual mortgages. We also offer loans to agribusiness and SME clients, with funding which we obtain from national development banks, in addition to our own funding products. Our lending activities are complemented with transactional services such as money market transactions, trust services, distribution and management of mutual funds, foreign exchange transactions, factoring, and leasing. We believe that our extensive banking industry knowledge and expertise and proximity to our clients enable us to offer a high quality banking experiences together with exceptional client service, dependable asset management, as well as diverse and competitive products and services.

As of December 31, 2011, we had Ps.38,215 million (U.S.$2,739.4 million) in total assets and Ps.1,389 million (U.S.$99.6 million) in shareholders' equity. Our total net operating revenue (as previously defined) and net income for the year ended December 31, 2011 were Ps.1,027 million (U.S.$73.6 million) and Ps.167 million (U.S.$12.0 million), respectively. As of December 31, 2011, we had a return on average equity of 12.4%.

Our retail division is primarily engaged in providing banking services to upper-middle and upper-income customers in Mexico. We believe Banca Mifel has become one the most efficient banks in the Mexican banking system in terms of capturing deposits with one of the upper-middle-income and upper-income net-worth client bases in the sector. Our clients had an average deposit balance (including time and demand deposits) of Ps.667,659 (U.S.$47,861) as of December 31, 2011, which is 18.7 times higher than the average deposit balance of the Mexican banking system, according to data published by CNBV.

Our lending activities are tailored to sectors of the economy that allow us to increase the size our loan portfolio while limiting any risk associated with such growth. Our loan portfolio is distributed among various economic sectors and, based on our operating records, is comprised of the following: (i) 38.70% in loans to corporate clients; (ii) 19.23% in loans to agribusiness clients; (iii) 15.23% in loans to home developers; (iv) 14.51% in loans to Mexican state and municipal governments; (v) 6.75% in individual mortgages; (vi) 2.83% in loans to SMEs; (vii) 2.52% in loans to urban infrastructure projects; and (viii) 0.23% in consumer loans. As of December 31, 2011, a portion of our loan portfolio was guaranteed or secured by collateral, including real estate and other assets located in Mexico, as well as guarantees issued by the Mexican government, such as in Fideicomisos Instituidos en Relación con la Agricultura ("FIRA") and Nacional Financiera, S.N.C. ("NAFIN") programs and Banco Nacional de Comercio Exterior, S.N.C. ("Bancomext"). We are primarily focused on growing our loan portfolio in the urban infrastructure sector, the mortgage sector (real estate developers and individuals), the SME sector and the agricultural business sector. During the year ended December 31, 2011, our financial margin before provision for loan losses represented 75% of our total net operating revenues (as previously defined) excluding the provision for loan losses; and the non-interest income (as previously defined) plus other operating

income, net, represented the 25% of our total net operating revenues excluding the provision for loan losses.

In July 2007 we became one of the few Mexican banks to successfully issue perpetual subordinated notes in the international capital markets. We used the U.S.$100 million in proceeds that were raised in that transaction to increase our operations in Mexico. Our performing loans grew at a rate of 24.10% Compounded Annual Growth Rate ("CAGR") during the period of 2007– 2011, which is more than three times the growth realized by the Mexican banking system as a whole. In addition, our deposit base grew at a 30.70% CAGR during the period of 2007–2011, which is four times the growth realized by the Mexican banking system as a whole. During the recent global financial crisis we were able to increase our share of the loan market without compromising the quality of our loan portfolio as many of our foreign competitors reduced their lending activities. Our total loan market share increased by 25.90% from 2008 to 2011, while the total loan market share of the leading Mexican banks controlled by foreign institutions decreased 3.30% during the same period.

The number of our branches grew from 25 as of December 31, 2007 to 46 as of December 31, 2011, and we expect to open approximately five additional branches by the end of this year. The number of our deposit accounts has grown from approximately 22,515 as of December 31, 2007 to approximately 31,252 as of December 31, 2011. We expect the increase in our number of branches to continue to contribute to the growth of our deposit base.

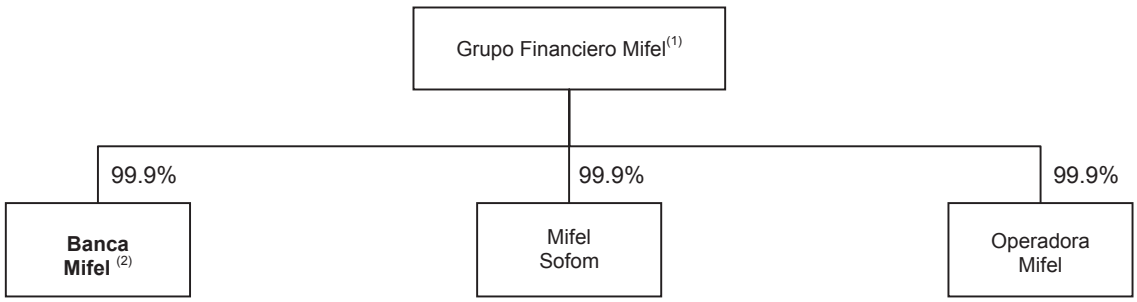
Organizational Structure

As of December 31, 2011, we were 99.9% owned by Grupo Financiero Mifel, one of the few financial services groups in Mexico not affiliated with a non – Mexico based multinational financial institution. In addition to the banking activities that we provide, Grupo Financiero Mifel provides factoring services, financial leasing services and fund management services.

Grupo Financiero Mifel conducts its operations through its subsidiaries, which include:

- Banca Mifel;
- Mifel, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Mifel ("Mifel Sofom"), which provides financial leasing services and factoring services; and
- Operadora Mifel, S.A. de C.V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Mifel ("Operadora Mifel"), which provides fund management services.

The following chart sets forth Grupo Financiero Mifel's organizational structure as of the date of this offering memorandum:



(1) As of the date of this offering memorandum, the authorized capital stock of our parent company, Grupo Financiero Mifel, is approximately Ps.275 million, fully subscribed and paid-in. The capital stock of Grupo Financiero Mifel is represented by 274,529,513 common, registered, Series O, shares. Daniel Becker Feldman, Martín Máximo Werner Wainfeld and the IFC (as defined below) hold approximately 41.38%, 16.36% and 11.65% of the outstanding shares of Grupo Financiero Mifel, respectively. The remaining 83 shareholders of Grupo Financiero Mifel each hold less than 5% of the shares outstanding.

(2) As of the date of this offering memorandum, the authorized capital stock of Banca Mifel is Ps.1,100 million, represented by 1,100,000 common, registered, Series O shares, of which (i) 1,049,534 shares are fully subscribed and paid-in, and (ii) 50,466 shares are pending subscription and payment. Grupo Financiero Mifel and Daniel Becker Feldman hold approximately 99.9991% and 0.0009% of our shares, respectively.

As of the date hereof, Banca Mifel does not have any subsidiary.

Competitive strengths

A leading mid-sized bank focused on core lending products

Our strategy consists of focusing on marketing our core lending products to specific business segments. We have managed to attain a strong position in certain market segments, including infrastructure projects in Mexico's main cities, real estate development, individual mortgages, SME and agribusinesses.

- *Infrastructure financing*. We have become a relevant player in funding infrastructure projects in Mexico's main cities by structuring the loans based on our clients' specific needs. We have participated in several infrastructure projects including urban infrastructure (mainly public transportation networks in the Mexico City area and *Estado de México*), shopping centers, hospitals, offices, and residential developments.

- *Mortgages*. We believe we have developed one of the most efficient platforms to provide mortgages to home developers and individuals mainly in the Mexico City metropolitan area. Our competitive advantage relies on exceptional service based on quick response time, transparency and the strong relationship we have developed with home developers. Our mortgage portfolio is highly collateralized. For bridge loans, the estimated value of the collateral represents approximately 120.00% of the loan amount and for individual mortgages the loan to value is approximately 80.00%.

- *Small and medium-size enterprises*. We have developed an efficient and low risk platform to service the SME sector, which is highly profitable for our business. We target only those customers serviced by our affiliated factoring business which offers factoring services to suppliers of large private corporations and governmental entities engaged in the *Cadenas Productivas* program that benefit from funding from NAFIN.

- *Agricultural businesses*. We have served the agricultural sector since 2006, and we believe that we have now become one of the leading players in this industry. In addition to our traditional branch network, as of December 31, 2011, we had 18 regional offices to exclusively serve the agricultural sector, which are strategically located to cover Mexico's main agricultural regions. In order to provide financing to this sector, we rely on the Mexican government's support in providing funding and guarantees through FIRA, which are trusts created by the Mexican government to promote agricultural sector development.

Strong momentum and financial performance

In the last few years, we have experienced growth in both total deposits and our performing loan portfolio, with our performing loan portfolio and total deposits growing at a 24.10% and 30.70% CAGR during the period of 2007 – 2011, respectively. Growth has come with increasing profitability, and our net interest income, operating revenue and net income grew at 22.80%, 19.30% and 26.20% CAGR during the period of 2007 – 2011, respectively, based on data published by the CNBV.

We have a very stable balance sheet structure as our large deposit base more than covers our loan portfolio, which together with a strong capitalization structure allows us to take advantage of opportunities to continue to grow our loan portfolio.

In 2010 and 2011, we had double digit returns of average stockholders' equity of 18.84% and 12.40%, respectively, which is well above the average of our return of average stockholders' equity achieved during the 2007 – 2009 period of 4.40%. We believe that our profitability going forward should improve as our investment in opening new branches pays off and our investment in technology materializes.

Customer Service Oriented Structure

We consider ourselves a client oriented bank. We believe that we distinguish ourselves from our competition by providing a high-quality banking experience based on personalized customer service and a diverse offering of products. For example, we offer corporate bonds through our branch network and private banking offices. Our branches are specifically designed to provide our customers with a friendly environment in which to conduct their banking activities. In addition, we believe that we offer some of the most technologically advanced internet banking services in Mexico. Our outstanding customer service was recognized by World Finance, a financial magazine based in the United Kingdom, which named us the best private bank in Mexico for 2009, 2010 and 2011.

Examples of our efforts to provide our clients with convenient banking services through various channels of our distribution network include:

- *Mifel.net*. We offer an electronic banking website which has been recently redesigned to improve its functionality and appearance. This website offers banking products and services to our retail customers, 24 hours a day. We were one of the first Mexican banks to introduce random number generating tokens as a security device, and we believe that our website offers state-of-the-art security protection for our clients. We had approximately 11,008 registered users of Mifel.net as of December 31, 2011 and have registered an average increase of 72 users per week since the year ended December 31, 2011.

- *Telebanca Mifel*. We offer personalized telephone banking services which allow our customers to carry out their banking transactions over the telephone, from 8:00 AM to 10:00 PM seven days a week with the assistance of our representatives. We also provide security to our clients who utilize this service by requiring those who wish to access this service to go through a specialized identification process. We expect to begin offering this service to our clients 24 hours a day, seven days a week within the next three months.

- *Express Delivery*. We offer home or office delivery and collection service that allows customers to carry out banking transactions (including cash withdrawals, deposits, checkbook orders, bank checks, travelers' checks and foreign currency services) free of charge without having to visit a branch. We have made an average of approximately 500 home or office visits per month since December 31, 2011 in connection with our home or office delivery and collection services.

- *Broad range of savings products*. We offer a broad range of savings products through our branch network, which include traditional deposits and investments in money market securities (corporate and government) and mutual funds. Our customers invest in mutual funds according to an "open architecture" plan whereby the customer is offered the option of investing in mutual funds managed by us or other financial institutions.

- *Premier Branches*. Our branches are designed to provide a more comfortable and pleasant banking experience for the customer. For instance, many of our branches offer various types of amenities, such as a coffee parlor, video game stations, and flat screen TVs with financial newscasts, as well as national and international newspapers and magazines. As of December 31, 2011, we operated 46 branches, including two private banking offices.

We also believe that our customer-oriented structure and administrative procedures help better serve our clients. Indeed, our size allows us to provide our customers with an environment that facilitates a more personal relationship between the bank and the customer. Our size also allows us to implement administrative procedures that expedite the approval process and decrease documentation requirements in connection with loan requests. This allows us to open new accounts for individuals in less than 20 minutes and to provide new clients with a check book, debit card and token for electronic banking in this time frame. Our decentralized decision-making process also provides us with a competitive advantage by enabling us to benefit from new opportunities in the market faster than some of our competitors.

Strategic Alliances

In order to meet the diverse needs of our clients and expand the products and services offered to our clients, we have entered into strategic alliances with third parties to provide additional products, services, rewards and benefits to our clients. For example, in March 2011, we signed a 10-year distribution exclusive agreement with Royal & Sun Alliance Seguros (Mexico), S.A. de C.V. ("RSA"), a subsidiary of RSA Insurance Group plc (formerly known as Royal & Sun Alliance), to sell insurance products through our branch network. RSA is one of the world's leading insurance groups. We believe this agreement has allowed us to expand the scope of financial products we offer our clients, increase our cross-selling opportunities and diversify our sources of income. As of December 31, 2011, we had already distributed a total of Ps.2 million in written premiums. We continue to analyze and explore additional opportunities to establish strategic alliances that benefit our clients.

State of the Art Technological Platform

In order to improve the efficiency and effectiveness of our business operations, we developed "Project Evotec" – an integral core banking technological platform provided by Finacle from Infosys, which is one of the most comprehensive, flexible and scalable universal banking solutions in its class. Finacle is the chosen solution for over 154 banks across 75 countries. We expect to fully implement the platform before the end of the second quarter of 2012. The new platform will help us deliver comprehensive customer service through the implementation of cutting-edge infrastructure together with efficient processes. We believe this initiative will position us several years ahead of our competitors' technological capabilities. The total cost of the project is expected to be approximately U.S.$40 million. As a result of this investment, we will have a complete information management system, systematic and automated processes, process-oriented operating models and integration and automation of critical operating processes.

Strong Management Team and Shareholders Base

Our management has extensive experience in the financial banking sector and has successfully led Banca Mifel's expansion during the past years. Our top management has been part of Mifel for approximately an average of seven years. Furthermore, our expanded base of shareholders is composed of recognized business people active in a number of sectors of the Mexican economy. The recent capital contribution agreement between Grupo Financiero Mifel and the IFC will in turn strengthen our high corporate governance standards.

Strategy

We seek to distinguish ourselves from our competitors by focusing on the individual needs of our clients, providing a diverse range of financial products and services to meet those needs and managing

our clients' assets to develop and maintain their confidence in our services. We believe being an innovative bank and having a lean management structure has allowed us to attract customers for whom high-quality services and quick response times are important. We believe that this strategy has proven effective in contributing to our growth in the Mexican financial services market, which is highly concentrated and competitive.

To achieve our desired rate of growth and profitability levels, we are focused on the following objectives:

Continue to Grow Market Share

Continue to Increase Market Share in Strategic Products

We have been able to increase our market share in key banking products in a very competitive environment. Our market share in loans and deposits has increased from 0.27% and 0.29% in 2007 to 0.56% and 0.76% in December 2011, respectively.

We plan to continue to expand our lending business by increasing the number of loans offered to the infrastructure sector, the mortgage sector (real estate developers and individuals), the SME sector, and the agricultural business sector. We are focusing on these sectors because they involve more guarantees and increased collateral than other sectors, which we believe should result in a more efficient use of capital. As a result of our strategy, we have also experienced an increased diversification of our loan portfolio and we plan to continue to do so as we continue to grow in our targeted sectors. We intend to continue increasing our market share in these segments through the following initiatives:

- *Infrastructure financing projects*. We plan to continue to be the preferred funding source of key developers with whom we have built a strong relationship. Many of these developers consider us as their financial partner in infrastructure projects given that we have participated in past transactions contributing financial resources to fund shopping centers, hospitals, offices and residential developments. In addition, we plan to work closely with state governments and to analyze the dynamics of Mexico's largest cities to identify additional business opportunities, especially in the urban transportation segment.

- *Mortgage lending to real state developers and to middle and high-income customers*. We intend to attract customers by providing high-quality service through rapid approval response times and more frequent and customized interactions. Our expanding branch network will also enhance the growth of our individual mortgage portfolio.

- *SME lending*. We plan to continue to proactively penetrate the client database of our affiliate factoring business. During 2011, approximately 3,400 SMEs were involved in a factoring transaction with Mifel SOFOM and only 115 of them were provided with a loan. We began to focus on factoring customers in the third quarter of 2010.

- *Agriculture lending*. We plan to continue to exploit the installed network of 18 regional offices we had as of December 31, 2011, which are strategically located to cover Mexico's main agricultural regions. Our strategy was recently redefined to target only medium and large agricultural companies.

Expand Our Branch Network in Mexico

As of December 31, 2011, we had 46 branches, including 37 in the Mexico City metropolitan area, 3 in Monterrey, 3 in Cuernavaca, 2 in Guadalajara, and 1 in Metepec (Estado de México). We opened 10 new branches in 2011 and expect to open approximately 5 additional branches this year to expand our retail branch network to 51 branches by the end of 2012. We are planning to open new branches at a similar pace as we have done in the past. In addition, we have 47 Banca Mifel-branded ATM machines,

46 of which are located inside our branches and we plan to increase the number of Banca Mifel-branded ATM machines by at least six in 2012. We have ATM-related agreements with entities commercially known as Plus, Red, Visa, Mastercard, Maestro, Electron, Banamex, BBVA Bancomer, and Carnet. We are also in the process of negotiating agreements with Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat ("Scotiabank") and Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa ("Inbursa") that will allow our respective customers to engage in transactions with each other without incurring fees.

Continue to Develop New Products and Services

The culture of our bank is to continually assess the needs of our clients and seek to improve the quality and variety of our products, simplifying the banking experience for our customers. In order to maintain our competitiveness in the Mexican financial services market, we look to identify new business opportunities and offer services that are complimentary to those already offered.

Examples of products and services developed to increase resources from the public include the following:

- *Loyalty programs*. Our loyalty program offers our clients concierge services, priority-pass, and discounts with more than 11,000 affiliated commerce companies, among other benefits.

- *Mutual funds*. We have developed a family of owned and third-party mutual funds that provide a wide range of alternatives to our customers. Our specialists help customers to create an ad-hoc portfolio based on their investment horizon and risk appetite.

Examples of products and services developed to support loan origination include the following:

- *House renewal loans though the Mexican housing institute (Instituto del Fondo Nacional de la Vivienda para los Trabajadores)("INFONAVIT")*. These are loans for an amount less than Ps.44,000 offered to individuals for home renewal purposes which are originated and managed by the INFONAVIT itself. This loan portfolio is fully collateralized by the INFONAVIT and we charge 800 basis points of margin for the loans.

Other examples of developments oriented to improve the quality of our services include the following:

- *Mobile banking applications*. An innovative service channel of e-banking that operates through any mobile phone or device with access to the Internet such as Ipads, and provides access to banking services (including balance inquiries, transfers, payments, and the purchase of cellular phone air time), as an additional service to our e-banking customers at no additional charge.

Continue to Increase Profitability

Continue to Increase Branch Profitability

We seek to improve the profitability of our branches by: (i) increasing loan placements, (ii) diversifying our deposit base, (iii) increasing non-interest income by offering additional financial services such as insurance products, (iv) implementing overall cost reductions as a result of economies of scale associated with our expanded branch network, and (v) continuously renegotiating our rent expense. We expect to continue to review the profitability of our branch network, which involves determining the optimal size of our network and seeking to identify branches that should be closed or relocated. We currently have no plans to close any of our branches.

Increase our Non-Interest Income

We seek to increase our non-interest income (as previously defined) by: (i) growing the volume of foreign exchange and derivatives transactions by having a dedicated sales force, growing our branch network, and targeting medium and large companies for derivatives transactions, (ii) implementing cross-selling opportunities of our trust business with other areas of the bank, such as private banking, branch network, business banking, agribusiness and mortgages, (iii) increasing money market transactions thereby taking advantage of our accumulated portfolio of approximately Ps.13 billion, (iv) and promoting the use of technological and electronic payment methods, as well as mobiles, online banking and the call center.

Continue Improving our Efficiency Ratio

Specific initiatives oriented to improve our efficiency ratio include (i) a centralized budget control, (ii) an annual headcount review, (iii) the implementation of more efficient processes through our new technological platform, and (iv) a headcount reduction related to finalization of the implementation of the new technological platform.

Take Advantage of Leading Information Technology Platform

The new platform will help us deliver comprehensive customer service through cutting-edge infrastructure and efficient processes. We believe this initiative will position us several years ahead of our competitors' technological capabilities. With this platform, we will have a complete management information system, systematic and automated processes, process-oriented operating models and integration and automation of critical operating processes.

Continue to Maintain Conservative Capital Ratios and Healthy Asset Quality

We intend to continue to employ prudent provisioning and maintain conservative Capital Ratios. Our Capital Ratio was 13.05% as of December 31, 2011, which was above the regulatory requirement of 8.00% set forth in the Mexican Capitalization Rules. On February 24, 2012, our parent company received from the IFC and other investors an equity contribution of approximately Ps.509 million. All of the proceeds from the capital contribution were transferred to us on March 30, 2012. As a result of this capital increase, we estimate that as of March 31, 2012, on a preliminary basis, our capitalization ratio would have improved from 13.05% to 17.60%, on an adjusted basis, as compared to December 31, 2011.

In addition, we intend to continue having a conservative risk management by having our risk and credit committees actively participate in the loan origination process. We also expect to further diversify our loan portfolio by increasing our exposure to lending activities that are secured by a collateral or have guarantees. Additionally, we expect to continue having a loan portfolio that is largely protected against fluctuations in interest rates (currently 80.96% of our loan portfolio is based on variable interest rates). Our new technological platform will provide high-quality data which will be useful in managing our credit risk in a more efficient manner.

Principal Offices

Our principal executive offices are located at Presidente Masaryk No. 214, Piso 2, Col. Polanco Chapultepec, C.P. 11560 México D.F. Our telephone number is +52 (55) 5282-7800.

Recent Developments

Capital investment

On February 24, 2012 the International Finance Corporation ("IFC") invested Ps.321 million (U.S.$25 million) in our parent company in exchange for 31,987,228 shares of Grupo Financiero Mifel, which is

equivalent to 11.65% of Grupo Financiero Mifel's outstanding common shares. IFC's partnership with Grupo Financiero Mifel is expected to support Grupo Financiero Mifel's expansion in SME financing, and in other important economic sectors such as manufacturing, agribusiness, construction and urban infrastructure financing, among others, as well as Grupo Financiero Mifel's participation in climate change and sustainability initiatives.

In addition to the IFC investment, a new group of shareholders invested a total amount of Ps.157 million in Grupo Financiero Mifel, in exchange for 15,663,071 new shares of Grupo Financiero Mifel's common stock. In addition, a group of former shareholders increased their participation in our parent company by investing a total amount of Ps.32 million, for which 4,130,716 shares were issued by Grupo Financiero Mifel.

The investments described above represent a total capital contribution of Ps.509.3 million (U.S.$37 million) to Grupo Financiero Mifel. These proceeds were, in turn, transferred to us by Grupo Financiero Mifel on March 30, 2012, which represent a capital increase of 36.4% to our capital base. As a result of this capital increase, we estimate that as of March 31, 2012, on a preliminary basis, our capitalization ratio would have improved from 13.05% to 17.60%, on an adjusted basis, as compared to December 31, 2011.

First Quarter 2012 Results

The following tables set forth preliminary unaudited income statement data for each of the three-month periods ended March 31, 2011 and 2012, and preliminary unaudited balance sheet data as of March 31, 2012 and the corresponding audited balance sheet data as of December 31, 2011. Our unaudited financial information for each of the three-month periods ended March 31, 2011 and 2012 is prepared in accordance with Mexican Banking GAAP. This information does not contain all of the information and disclosures normally included in financial statements prepared in accordance with Mexican Banking GAAP. Our results for the three-month period ended March 31, 2012 are not necessarily indicative of the results we will obtain for the full year 2012 or for any other period. You should read the unaudited financial data included below in conjunction with the Financial Statements, and the preliminary unaudited financial information included in this offering memorandum as Annex B.

	For the three months ended March 31, (unaudited)			
	2011[4]	2012	2012	% Change 2012 vs. 2011[5]
	(millions of pesos)		(unaudited) (millions of U.S.$)[1]	
Statement of Income Data:				
Interest income	Ps. 589	Ps. 565	U.S.$ 44	(4.13%)
Interest expense	374	381	30	1.64%
Financial margin	215	184	14	(14.20%)
Provision for loan losses	30	0	0	(100%)
Financial margin after provision for loan losses	185	184	14	0.54%
Non-interest income[3] and Other operating income	78	83	7	6.66%
Administrative expense and promotional expense	221	243	19	9.74%
Income before tax	42	24	2	(41.04%)
Current income tax	5	0	0	(100%)
Deferred income tax	(2)	(12)	(1)	463.88%
Net income	Ps. 39	Ps. 36	U.S.$ 3	(4.61%)

	As of December 31, 2011	As of March 31, 2012	As of March 31, 2012	% Change
		(unaudited)	(unaudited)	
	(millions of pesos)		(millions of U.S.$)[1]	
Balance Sheet Data:				
Cash and due from banks	Ps. 2,663	Ps. 1,551	U.S.$ 121	(41.76%)
Investment in securities[2]	20,311	21,512	1,674	5.91%
Adjustment related to changes in the value of hedged item	158	174	14	10.13%
Performing loans	13,121	13,210	1,028	0.68%
Non-performing loans	636	497	39	(21.85%)
Allowance for loan losses	(366)	(342)	(27)	(6.56%)
Other accounts receivable - net	666	1,598	124	139.94%
Property, furniture and equipment, net	256	250	20	(2.34%)
Foreclosed assets – net	11	12	1	9.09%
Equity investments	5	3	0	(40.00%)
Deferred taxes and employees' statutory profit sharing	197	201	16	2.03%
Other assets, net	557	699	54	25.49%
Total assets	38,215	39,365	3,064	3.01%
Demand deposits	3,437	2,900	226	(15.62%)
Time deposits – general public	6,115	6,563	511	7.33%
Time deposits – money market	11,236	12,785	995	13.79%
Bank bonds	78	63	5	(19.23%)
Interbank loans and loans from other entities	3,485	3,713	289	6.54%
Creditors under agreements to repurchase	9,545	9,368	729	(1.85%)
Derivatives financial instrument	182	225	17	23.63%
Other accounts payable	1,259	444	34	(64.73%)
Outstanding Subordinated debentures	1,424	1,308	102	(8.15%)
Deferred credits - net	65	62	5	(4.62%)
Total liabilities	36,826	37,431	2,913	1.64%
Total stockholders' equity	Ps. 1,389	Ps. 1,934	U.S.$ 151	39.24%

(1) The data expressed in dollars has been translated for convenience of the reader using the exchange rate of Ps.12.85 per U.S.$1.00, as of March 31, 2012 based on the Banco de México Exchange Rate. See "Risk Factors—Risks Relating to Mexico—Depreciation or fluctuation of the peso relative to the U.S. dollar and other currencies can adversely affect our results of operations and financial condition" and "Exchange Rates."

(2) Investment in securities include securities held for trading purposes and securities held to maturity.

(3) As previously defined.

(4) As mentioned in Note 24 to our Financial Statements, we recognized a special accounting accommodation provided by the CNBV in the fourth quarter of 2011 in connection with loan structuring fees and fees for professional services rendered in previous years in connection with loans granted to state and municipal governments. The effect corresponding to the first quarter of 2011 was recognized in September 2011 as required by the CNBV. For purposes of comparability, had the adjustment required by the CNBV in the fourth quarter of 2011 been applied retrospectively, there would have been a net loss of Ps.37 million during the first quarter of 2011 rather than a net income of Ps.39 million, as a result of the following: (i) financial margin would have increased by Ps.19 million, (ii) provision for loan losses would have increased by Ps.43 million, and (iii) non-interest income and other operating income, net, would have decreased by Ps.52 million. Our audited financial statements for the year ended December 31, 2011 recognize these effects.

(5) Percentages of variances are determined using whole peso balances.

Income Statement Data for the Three-Month Periods Ended March 31, 2011 and 2012

Financial margin

Financial margin for the three months ended March 31, 2012 totaled Ps.184 million, a decrease of Ps.31 million, or 14.20% compared to the Ps.215 million reported for the three months ended March 31, 2011. The decrease was primarily due to a decrease in interest from interbank loans and loans from other entities due to a decrease in volume of such loans in the first quarter of 2012 as compared to the first quarter of 2011. As previously mentioned, due to adjustments resulting from the accounting accommodation explained in Note 24 of our Financial Statements, the decrease in financial margin between periods was Ps.50 million rather than Ps.31 million.

Provision for loan losses

Provision for loan losses were Ps.0 million and Ps.30 million for the three-months ended March 31, 2012 and 2011, respectively, representing a decrease of Ps.30 million. This decrease was due to collections made during the first quarter of 2012 on loans classified as non-performing at December 31, 2011. Due to the decrease of Ps.139 million of the non-performing loans at March 31, 2012 as compared to December 31, 2011, during the first quarter of 2012 there was a release of part of the allowance for loan losses created in 2011. Consequently, the allowance for loan losses in our balance sheet decreased from Ps.366 million as of December 31, 2011 to Ps.342 million at March 31, 2012, and there was no need for additional provision for loan losses, during the first quarter of 2012.

Non-interest income and other operating income, net

Total non-interest income (as previously defined) and other operating income, net, for the three months ended March 31, 2012 totaled Ps.83 million, an increase of Ps.5 million, or 6.66%, compared to Ps.78 million for the three months ended March 31, 2011, mainly as the result of an increase in the volume of foreign currency transactions carried out in the first three months of 2012, as compared to the same period last year. As previously mentioned, due to adjustments resulting from the accounting accommodation explained in Note 24 of our Financial Statements, the decrease in total non-interest income between periods was Ps.57 million rather than Ps.5 million.

Total Administrative Expenses

Total administrative expenses for the three months ended March 31, 2012 totaled Ps.243 million, an increase of Ps.22 million, or 9.74%, compared to Ps.221 million for the three months ended March 31, 2011. This increase was primarily attributable to increases in (i) information technology expenses, (ii) taxes paid (value added tax) due to investments in our information technology platform and (iii) rental expenses, as a result of the expansion of our branch network.

Net Income

As a result of the above, net income for the three months ended March 31, 2012 totaled Ps.36 million, a decrease of Ps.3 million, or 4.61%, compared to Ps.39 million for the three months ended March 31, 2011. As previously mentioned, due to adjustments resulting from the account accommodation explained in Note 24 of our Financial Statements, net loss was Ps.37 million rather than a net income of Ps.39 million.

Balance Sheet Data as of December 31, 2011 and as of March 31, 2012

Total Assets

Total assets as of March 31, 2012 were Ps.39,365 million, representing an increase of Ps.1,150 million, or 3.01% compared to Ps.38,215 million as of December 31, 2011. This increase resulted from a net increase in liabilities of Ps.605 million primarily as a result of higher deposits from clients during 2012 and an increase in the shareholders' equity of Ps.545 million primarily as a result of a capital contribution from our parent company in the amount of Ps.509 million during the first quarter of 2012.

Total Shareholders' Equity

Total shareholders' equity as of March 31, 2012 totaled Ps.1,934 million, an increase of Ps.545 million, or 39.24% compared to Ps.1,389 million as of December 31, 2011. This increase resulted mainly from a capital contribution from our parent company in the amount of Ps.509 million during the first quarter of 2012.

THE OFFERING

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

The Notes

Issuer	Banca Mifel, S.A., Institución de Banca Múltiple, Grupo Financiero Mifel.
Notes	U.S.$150,000,000 aggregate principal amount of 9.750% Fixed Rate Cumulative Subordinated Preferred Notes due 2022.
Unsecured; Not Guaranteed ...	The Notes will not be secured nor guaranteed by the IPAB or any Mexican governmental agency, or by any of our affiliates, and by their terms, the Notes are not convertible into our shares.
Issue Price	98.442% of the principal amount.
Issue Date	May 16, 2012.
Maturity Date	May 16, 2022.
Indenture	The Notes were issued under an indenture, dated May 16, 2012, between us and The Bank of New York Mellon, as trustee, registrar and paying agent.
Rating	We expect that the Notes will be rated "B-" by Standard & Poor's Rating Services ("S&P") and "B" by Fitch Inc. A security rating is not a recommendation to buy, sell or hold securities and each may be subject to revision or withdrawal at any time by the assigning rating agency without notice.
Interest and Principal	The Notes bear interest from (and including) the Issue Date at a fixed rate per annum equal to 9.750%, payable semi-annually in arrears on May and November of each year (each an "Interest Payment Date"), commencing on November 16, 2012. If any Interest Payment Date would otherwise fall on a date that is not a Business Day (as defined below), the required payment of interest shall be made on the next succeeding Business Day, with the same force and effect as if made on such Interest Payment Date, and no further interest shall accrue as a result of the delay. Principal will be paid on the Maturity Date unless the Notes have been redeemed prior thereto as provided in this offering memorandum. Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months. We have the right to and will defer payments of interest and principal on the Notes during a Suspension Period, as described below. The payment of interest and principal with respect to the Notes will resume upon the occurrence of any of the Suspension Period termination

	events, as described below.
Redemption	We may not redeem the Notes, in whole or in part, other than as described below under “Withholding Tax Redemption” and “Special Event Redemption.”
Withholding Tax Redemption	Under the terms of the indenture, we will also have the option to redeem the Notes at any time, in whole but not in part, at par plus any accrued and unpaid interest due on the Notes upon the occurrence of a Withholding Tax Event (which event happens upon the occurrence of certain changes in tax law and the satisfaction of certain conditions, and is described in “Description of the Notes—Redemption—Withholding Tax Redemption”) affecting the Notes (a “Withholding Tax Redemption”). In the event of such a Withholding Tax Redemption, we are required to obtain *Banco de México*’s authorization to redeem such Notes prior to the redemption date to redeem such Notes.
Special Event Redemption	Under the terms of the indenture, we will also have the option to redeem the Notes at any time, in whole but not in part, at the Special Event Price (as defined in “Description of the Notes”), upon the occurrence of a Special Event (which event happens upon the occurrence of certain changes in capital treatment or tax deductibility of the Notes and the satisfaction of certain conditions, and is described in “Description of the Notes—Redemption—Special Event Redemption”) affecting the Notes (in each case, a “Special Event Redemption”). In the event of such a Special Event Redemption, we are required to obtain *Banco de México’s* authorization prior to the redemption date to redeem such Notes. The exclusion of the Notes from our Tier 2 capital at a rate of 10% of their aggregate principal amount per year, which is expected to be required by the new capitalization rules, scheduled to take effect beginning 2013, will not be deemed a Special Event Redemption.
Suspension Periods	(1) A “Suspension Period” will commence and we will defer payment of interest and principal on the Notes upon the occurrence of the following: (i) our Capital Ratio declines below the minimum percentage required from time to time by the Mexican Capitalization Rules (a “Capital Ratio Event”); or (ii) the CNBV institutes a preventive or corrective measure against us pursuant to Article 134 Bis or Article 134 Bis 1 of the Mexican Banking Law (including the corresponding rules set forth under the General Rules Applicable to Mexican Banks), which requires deferring payment of principal and deferring payments of interest otherwise due on the Notes (each a “Mexican Regulatory Event”). (2) A Suspension Period shall not give rise to an Event of Default under the indenture or the Notes. A Suspension Period shall terminate and the payment of interest and principal due on the Notes thereof will resume (i) if the Suspension Period was triggered by a Capital Ratio Event, when our Capital Ratio is no longer below the minimum percentage required by the Mexican Capitalization Rules; or (ii) if such

	Suspension Period was triggered by a Mexican Regulatory Event, when the relevant Mexican Regulatory Event has terminated. (3) At any time during any Suspension Period, and at any time following a Suspension Period, unless all accrued but unpaid interest and any Additional Amounts on the Notes have been paid following such Suspension Period, we shall not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock (which includes common and preferred stock); (ii) make any payment of premium, if any, or interest on or repay, repurchase or redeem any of our debt securities that rank *pari passu* with or junior in right of payment and in liquidation to the Notes; or (iii) to the extent any such guaranty is permitted under applicable law, make any guaranty payments with respect to any guaranty by us of the debt securities of any of our subsidiaries if such guaranty ranks *pari passu* with or junior in right of payment and liquidation to the Notes; provided, however, that (x) the foregoing shall not, to the extent permitted by the Mexican Capitalization Rules, or applicable law prohibit payment of the Dividend Exceptions, and (y) the foregoing shall not apply to the extent that we obtain prior regulatory consent for any action that would otherwise be prohibited and resume full payment of interest due (including payment of any previously accrued interest due) on the Notes and principal thereof for the period in which such action is taken. Subject to the foregoing, we shall pay interest due on the Notes and principal thereof so long as we are paying dividends or other distributions on or in respect of our capital stock. (4) "Dividend Exceptions" shall mean (1) dividends or distributions in shares of or options, warrants or rights to subscribe for or purchase shares of, our common stock, (2) any declaration of a stock dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan in the future, (3) any reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock, (4) the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (5) purchases of common stock related to the issuance of common stock or rights under any of our benefit plans for our directors, officers or employees and (6) other equivalent transactions not involving payments or distributions in cash.
Treatment of Interest and Principal During a Suspension Period	*Deferral of Interest and Deferral of Principal Payments*. We have the right to and will defer the payment of interest due on the Notes (but do not have a right to and will not cancel the accrual and payment of interest thereon) and defer but not cancel the payment of principal thereof for the duration of any Suspension Period. In the event of a deferral of payment of interest on the Notes or deferral of payment of principal thereof, we will notify the holders of the Notes in accordance with the procedures described in the indenture. Payments of interest due on the Notes will be cumulative, so that in the event that payments of interest are deferred during a Suspension Period, holders of the Notes will have the right to receive all interest accrued prior to and

	during a Suspension Period, but not paid as a result of such Suspension Period in effect on the relevant Interest Payment Date(s) on which such payments would have been payable, and these interest payments will be payable (without any interest on such previously accrued payments) on the date that is 12 Business Days after the date on which such Suspension Period ends. If a Suspension Period exists on the Maturity Date, payment of principal will be deferred with interest until the date that is 12 Business Days after the date on which such Suspension Period ends. Principal payments may be deferred but not cancelled. When a Suspension Period is no longer in effect, we will notify the holders of the Notes in accordance with the procedures described in the indenture.
Ranking	The Notes will constitute subordinated preferred indebtedness and will rank (i) junior to our senior indebtedness, (ii) *pari passu* without preference among themselves and with all our other subordinated preferred indebtedness and (iii) senior to our subordinated non-preferred indebtedness and to all classes of our capital stock, as described in this offering memorandum. See "Description of the Notes—Subordination."
Use of Proceeds	We intend to use the net cash proceeds of this issuance for repayment, redemption or other satisfaction of our outstanding 11.00% Perpetual Non-Cumulative Subordinated Non-Preferred Callable Notes (the "Existing Notes") and for general corporate purposes, including providing additional long-term capital to fund the opening of new branches, supporting the growth of our lending portfolio and increasing our base capital. See "Use of Proceeds."
Events of Default; No Acceleration Except in Case of Certain Events Involving Bankruptcy, Liquidation or Dissolution	An "Event of Default" is defined in the indenture as: (i) a default for 30 calendar days in the payment of interest due and payable on the Notes, other than during a Suspension Period; (ii) a default in the payment of the principal due and payable of the Notes, except during a Suspension Period; (iii) a payment by us, during a Suspension Period, of dividends in respect of our capital stock, other than Dividend Exceptions; or (iv) certain events involving our bankruptcy (including *concurso mercantil* or *quiebra*) or liquidation or dissolution. The payment of principal of the Notes may be accelerated only upon the occurrence of an Event of Default described in clause (iv) above. There is no right of acceleration of the payment of principal of the Notes upon the occurrence of any other Event of Default noted above, including a default in the payment of principal or interest. See "Risk Factors—Risks Relating to the Notes—If we do not satisfy our obligations under the Notes, your remedies will be limited."
Voting Rights	None.
Payment of Additional Amounts	We will make all payments in respect of the Notes without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever

	nature, imposed or levied by or on behalf of Mexico (the "Relevant Jurisdiction") or any authority or agency therein or thereof having power to tax (collectively, "Relevant Tax") unless the withholding or deduction of such Relevant Tax is required by law. In that event, we will pay such Additional Amounts as may be necessary in order that the net amounts received by in respect of the Notes by any registered holder thereof (collectively, "holders") after any such withholding or deduction will equal the amounts which would have been received in respect of the Notes in the absence of any such withholding or deduction, subject to certain exemptions. We will also pay any stamp, administrative, court, documentary, excise or similar taxes arising in a Relevant Jurisdiction in connection with the Notes.
Listing and Trading	We applied to list the Notes on the Official List of the LuxSE and to trade the Notes on the Euro MTF market.
ERISA Considerations	Sales of the Notes to specified types of employee benefit plans and affiliates are subject to certain conditions. See "Certain ERISA Considerations."
Acquisition Restrictions	Under applicable Mexican law, Grupo Financiero Mifel and Banca Mifel are prohibited from acquiring, directly or indirectly, the Notes. In addition, certain Mexican financial entities may not acquire the Notes. See "Description of the Notes—Restrictions Applicable to Mexican Financial Institutions."
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act and, unless so registered, may not be offered or sold except (i) to qualified institutional buyers, or QIBs (as defined in Rule 144A), in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A, or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act. See "Transfer Restrictions." As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Notes outside of Mexico. The Notes will not be registered in the National Registry of Securities maintained by the CNBV and may not be offered or sold publicly in Mexico, except to Mexican institutional and qualified investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law.
Governing Law	The indenture, the Notes and related documents will be governed by the law of the State of New York.
Form and Denomination	The Notes were issued in minimum denominations of U.S.$2,000 and in integral multiples of U.S.$1,000 in excess thereof and were represented by one or more global notes. The global notes representing the Notes have been deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee for DTC. DTC acts as depositary.
Securities Identification	144A ISIN: US059447AB87

Numbers	Reg S ISIN: USP07409AB44 144A CUSIP: 059447 AB8 Reg S CUSIP: P07409 AB4
Common Codes	144A: 078359919 Reg S: 078359927

SUMMARY FINANCIAL INFORMATION

The following tables summarize our financial information as of and for each of the periods indicated below. You should read this information in conjunction with the sections “Presentation of Financial and Other Information” and “Management's Discussion and Analysis of Financial Condition and Results of Operations,” as well as our Financial Statements and the related notes included elsewhere in this offering memorandum.

Our audited financial statements as of December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010, and 2011 are included herein. Our audited financial statements and all other financial data expressed in Mexican pesos included in this offering memorandum, unless otherwise indicated, are presented in Mexican pesos as of December 31, 2011.

The following tables contain translations of certain peso amounts into dollars at specified rates solely for the convenience of the reader. U.S. dollar amounts that have been translated from Pesos have been translated at the Banco de México Exchange Rate of Ps.13.95 per U.S. dollar, the exchange rate in effect for December 31, 2011. As of March 31, 2012 the exchange rate has decreased by 8.17% to a rate of Ps.12.85 per U.S. dollar. For the convenience of the reader certain financial data related to March 31, 2012 stated in pesos has been translated into U.S. dollars at a exchange rate of Ps.12.85 per U.S. dollar. The exchange rate translations contained in this offering memorandum should not be construed as representations that the peso amounts actually represent the dollar amounts presented or that they could be converted into dollars at the rates indicated.

The financial data included in this offering memorandum is presented in accordance with Mexican Banking GAAP and accounting practices and regulations of the CNBV for banks, which differ in significant respects from U.S. GAAP. See “Presentation of Financial and Other Information” and Annex A for a description of certain differences between Mexican Banking GAAP applicable to financial institutions and U.S. GAAP, as such differences relate to us.

	For the years ended December 31,			
	2009	2010	2011[3]	2011
	(millions of pesos)			(unaudited) (millions of U.S.$)[1]
Statement of Income Data:				
Interest income	Ps. 1,950	Ps. 2,451	Ps. 2,554	U.S.$ 183
Interest expense	(1,429)	(1,548)	(1,682)	(121)
Financial margin	521	903	872	62
Provision for loan losses	(154)	(284)	(135)	(10)
Financial margin after provision for loan losses	367	619	737	52
Commissions and fees - received[2]	93	106	116	8
Commissions and fees - paid	(48)	(49)	(49)	(4)
Net gain or (loss) in brokerage operations	66	(24)	167	12
Other operative income	151	284	56	4
Administration and promotional expenses	(559)	(726)	(926)	(66)
Income before income taxes	70	210	101	6
Current income tax expense	13	42	-	-
Deferred income tax benefit	-	(47)	(66)	(5)
Net income	Ps. 57	Ps. 215	Ps. 167	U.S.$ 11

(1) The data expressed in dollars has been translated for convenience of the reader using the exchange rate of Ps.13.95 per U.S.$1.00, as of December 31, 2011 based on the Banco de México Exchange Rate. See “Risk Factors—Risks Relating to Mexico— Depreciation or fluctuation of the peso relative to the U.S. dollar and other currencies can adversely affect our results of operations and financial condition” and “Exchange Rates.”

(2) Commissions charged when granting loans (origination fees) are deferred and amortized over the term of the loan using the straight-line method.

(3) The CNBV also provided us with an accounting accommodation through statement number 100/012/2011 dated July 11, 2011, in accordance with the provisions of Article 175 of the General Rules for Banks, in connection with the corporate structuring process conducted to strengthen our operating and control framework. This accounting accommodation resulted in the direct recognition in retained earnings of certain commissions relating to loan structuring and professional services performed by us, which previously had been recognized in our statements of income during the years ended December 31, 2010 and 2009, and presentation of the corresponding amount within liabilities until earned under the criterion of the CNBV. The net effect of this accommodation was a charge to retained earnings during 2011 of Ps.83 million. Beginning in 2011, our policies for recognizing such commissions and professional services were modified accordingly and, as a result, our financial statements for the year ended 2011 are not comparable to our financial statements for the years ended 2010 and 2009. See Note 24 to the Financial Statements. See Notes 3(f) and 24 to our Financial Statements.

	As of December 31,			
	2009	2010	2011[3]	2011
		(millions of pesos)		(unaudited) (millions of U.S.$)[1]
Balance Sheet Data:				
Cash and due from banks	Ps. 4,174	Ps. 2,957	Ps. 2,663	U.S.$ 191
Margin accounts	2	1	-	-
Investment in securities[2]	12,131	17,470	20,311	1,456
Derivatives financial instruments	10	2	-	-
Adjustment related to changes in the fair value of hedged item	51	140	158	11
Total loan portfolio - net	13,071	14,825	13,391	960
Other accounts receivable - net	74	595	666	48
Property, furniture and equipment	147	167	256	19
Foreclosed assets - net	8	8	11	1
Equity investments	2	2	5	-
Deferred taxes and employees' statutory profit sharing, net	47	112	197	14
Other assets	183	362	557	40
Total assets	29,900	36,641	38,215	2,740
Deposits	3,225	2,916	3,437	246
Time deposits	10,148	17,054	17,351	1,244
Bank bonds	79	77	78	6
Interbank loans and loans from other entities	6,465	4,749	3,485	250
Creditors under agreements to repurchase	7,234	8,150	9,545	684
Derivatives financial instrument	38	148	182	13
Other accounts payable	294	940	1,259	90
Outstanding subordinated debentures	1,335	1,262	1,424	102
Deferred credit, net	46	43	65	5
Total liabilities	28,864	35,339	36,826	2,640
Total stockholders' equity	Ps. 1,036	Ps. 1,302	Ps. 1,389	U.S.$ 100

(1) The data expressed in dollars has been translated for convenience of the reader using the exchange rate of Ps.13.95 per U.S.$1.00, as of December 31, 2011 based on the Banco de México Exchange Rate. See "Risk Factors—Risks Relating to Mexico— Depreciation or fluctuation of the peso relative to the U.S. dollar and other currencies can adversely affect our results of operations and financial condition" and "Exchange Rates."

(2) Investment in securities includes securities held for trading purposes, available-for-sale securities and securities held to maturity.

(3) The CNBV also provided us with an accounting accommodation through statement number 100/012/2011 dated July 11, 2011, in accordance with the provisions of Article 175 of the General Rules for Banks, in connection with the corporate structuring process conducted to strengthen our operating and control framework. This accounting accommodation resulted in the direct recognition in retained earnings of certain commissions relating to loan structuring and professional services performed by us, which previously had been recognized in our statements of income during the years ended December 31, 2010 and 2009, and presentation of the corresponding amount within liabilities until earned under the criterion of the CNBV. The net effect of this accommodation was a charge to retained earnings during 2011 of Ps.83 million. Beginning in 2011, our policies for recognizing such commissions and professional services were modified accordingly and, as a result, our financial statements for the year ended 2011 are not comparable to our financial statements as of and for the years ended 2010 and 2009. During 2011, the CNBV also issued new methodologies for rating mortgage and non – revolving loans, as well as loans to state and municipal governments. This change in the methodology was recognized prospectively and resulted in a decrease in the allowance for loan losses of Ps.7 million and Ps.46 million for mortgage and non – revolving loans and loans granted to state and municipal governments, respectively, as compared to the allowance for loan losses required in the month prior to the adoption of this new methodology. See Notes 3(f) and 24 to our Financial Statements.

	As of/For the years ended December 31,		
	2009	2010	2011[3]
	(millions of pesos, except percentages)		
Other Financial Data:			
Average total assets[1]	Ps. 25,252	Ps. 31,650	Ps. 34,874
Average total liabilities[1]	24,272	30,509	33,527
Average stockholders' Equity[1]	980	1,141	1,347
Profitability and performance ratios:			
Financial margin on average total assets	2.06%	2.85%	2.50%
Return on average total assets	0.23%	0.68%	0.48%
Return on average stockholders' Equity	5.82%	18.84%	12.40%
Efficiency ratio[2]	88.87%	77.56%	90.17%
Liquidity:			
Total loan portfolio as a percentage of total deposits	97.17%	73.95%	64.18%
Capital:			
Average stockholders' equity/average total assets	3.88%	3.61%	3.86%
Total stockholders' equity as a percentage of total assets	3.46%	3.55%	3.63%
Total capital to risk-weighted assets	16.71%	14.99%	13.05%
Asset Quality:			
Allowance for loan losses / total loan portfolio	2.48%	3.28%	2.66%
Allowance for loan losses /non-performing loans	105.38%	110.33%	57.55%
Allowance for loan losses as a percentage of loans graded "C," "D" and "E"	150.68%	69.46%	115.61%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of total loan portfolio (total performing loans plus non-performing loans)	(0.13%)	(0.31%)	1.96%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of stockholders' equity	(1.64%)	(3.61%)	19.44%
Loans graded "C," "D" and "E" as a percentage of total loan portfolio	1.65%	4.72%	2.30%
Average total performing loans	10,263	15,038	13,616
Credit Quality Data			
Total loan portfolio	13,404	15,327	13,757
Non-performing loans	316	455	636
Allowance for loan losses	333	502	366
Non-performing loans to total loan portfolio[1]	2.36%	2.97%	4.62%

(1) These figures are calculated using monthly average balances. Average total assets and average total liabilities include net repurchase and resale agreement transactions and net derivative financial instruments.

(2) The efficiency ratio is equal to administrative and promotional expenses as a percentage of net operating revenue.

(3) The CNBV also provided us with an accounting accommodation through statement number 100/012/2011 dated July 11, 2011, in accordance with the provisions of Article 175 of the General Rules for Banks, in connection with the corporate structuring process conducted to strengthen our operating and control framework. This accounting accommodation resulted in the direct recognition in retained earnings of certain commissions relating to loan structuring and professional services performed by us, which previously had been recognized in our statements of income during the years ended December 31, 2010 and 2009, and presentation of the corresponding amount within liabilities until earned under the criterion of the CNBV. The net effect of this accommodation was a charge to retained earnings during 2011 of Ps.83 million. Beginning in 2011, our policies for recognizing such commissions and professional services were modified accordingly and, as a result, our financial statements for the year ended 2011 are not comparable to our financial statements as of and for the years ended 2010 and 2009. During 2011, the CNBV also issued new methodologies for rating mortgage and non – revolving loans, as well as loans to state and municipal governments. This change in the methodology was recognized prospectively and resulted in a decrease in the allowance for loan losses of Ps.7 million and Ps.46 million for mortgage and non – revolving loans and loans granted to state and municipal governments, respectively, as compared to the allowance for loan losses required in the month prior to the adoption of this new methodology. See Notes 3(f) and 24 to our Financial Statements.

RISK FACTORS

You should carefully consider each of the risks described below and all of the other information in this offering memorandum before deciding to invest in the Notes. The following risk factors are not the only risks we face and if any of the following risks actually occurs, our business, financial condition, results of operations or prospects could be adversely affected. Additional risks that are presently unknown to us, that may result from new events, or that we currently deem immaterial may also have an impact on our business.

Risks Relating to Our Business

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

In recent years, the global economy has undergone and continues to experience a period of slowdown and unprecedented volatility and has been adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment, decline in interest rates and erosion of consumer confidence. Some uncertainty remains concerning the future economic environment. The global economic slowdown and the U.S. economic slowdown in particular have had a negative impact on the Mexican economy and have adversely affected our business. There is no assurance when such conditions will improve. In particular, we may face, among others, the following risks related to the economic downturn and loss of confidence in the financial sector:

- We potentially face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.

- The process we use to estimate losses inherent in our credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates, which may, in turn, impact the reliability of the process.

- The value of the portfolio of investment securities that we hold may be adversely affected.

- A worsening of the foregoing conditions may delay the recovery of the financial industry and impact our financial condition.

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

Market developments and government actions regarding the sovereign debt crisis in Europe, particularly in Portugal, Ireland, Italy, Greece and Spain, could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Concerns persist regarding the ability of certain European countries to continue to service their sovereign debt obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. The global recession and disruption of the financial markets has led to concerns over access to capital markets and the solvency of EU Member States, including Portugal, Ireland, Italy, Greece and Spain, and of financial institutions that have significant direct or indirect exposure to debt issued by, or the economies of, these countries. The continued uncertainty over the outcome of international financial support programs and the possibility that EU Member States may experience similar financial troubles could further disrupt global markets. Recent rating agency downgrades on certain European sovereign debt, as well as downgrades on certain European financial institutions, and growing concern of the potential default of government issuers or of a possible withdrawal by one or more EU Member States from the

Eurozone or a break-up of the EU has further contributed to this uncertainty. We do not have any euro-denominated investments, EU member country government bonds or any euro-denominated assets but we do buy and sell Euros to cover the foreign exchange needs of our clients. Nevertheless, the negative impact of market developments and government actions regarding the sovereign debt crisis in Europe on economic conditions and global markets generally could have an adverse effect on our business, financial condition and liquidity.

Our financial results are constantly exposed to market risk. We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our financial condition and results of operations.

Market risk refers to the probability of variations in our financial margin or in the market value of our assets and liabilities due to interest rate volatility. Changes in interest rates affect the following areas, among others, of our business:

- financial margin;
- the volume of loans originated;
- the market value of our securities holdings; and
- gains from sales of loans and securities.

Increases in short-term interest rates could reduce our financial margin, which comprises the majority of our revenue. When interest rates rise, we must pay higher interest on our borrowings while interest earned on our assets does not rise as quickly, which causes profits to decrease. Interest rate increases could result in adverse changes in our net interest income, reducing its growth rate or even resulting in losses.

Increases in interest rates may reduce the volume of loans we originate. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets.

Increases in interest rates may also reduce the value of our financial assets. We hold a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. The market value of a security with a fixed interest rate generally decreases when the prevailing interest rates rise, which may have an adverse effect on our earnings and financial condition. In addition, we may incur costs (which, in turn, will impact our results) as we implement strategies to reduce future interest rate exposure. The market value of an obligation with a floating interest rate can be adversely affected when interest rates increase, due to a lag in the implementation of repricing terms.

Increases in interest rates may reduce gains or require us to record losses on sales of our loans or securities. In recent years, interest rates in Mexico have been decreasing and are at historical lows, however, there can be no assurance that such low rates will continue in the future.

Our loan and investment portfolios are subject to risk of prepayment, which could negatively affect our net interest income.

Our loan and investment portfolios are subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of our earning assets and adversely affects our operating results. We would also be required to amortize net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income. Prepayment risk also has a significant adverse impact on mortgage obligations, since

prepayments could shorten the weighted average life of these portfolios, which may result in a mismatch in funding or reinvestment at lower yields.

Significant competition from other financial groups in providing financial services may adversely affect our position in the Mexican banking industry.

We face strong competition in all parts of our business. The competition comes mainly from other Mexican and foreign banks, mortgage non-bank banks and consumer non-bank banks (both operated as *sofomes*), insurance companies and other institutional lenders and purchasers of loans. We anticipate that we will encounter greater competition as we continue to expand our operations in Mexico. A number of institutions with which we compete have significantly greater assets, capital, lower cost of funding, name recognition and other resources. In addition, certain of our competitors, such as Sofoles and Sofomes are not financial institutions and, if not part of a financial group, are not subject to the same extensive federal banking regulations to which we are subject, including maintaining certain levels of capital and reserves for loan losses. As a result, certain of our competitors may have advantages in conducting certain businesses and providing loans and other financial services. We consider ourselves to be part of the "small to medium" group of the Mexican financial system which includes Banco Regional de Monterrey, S.A., Institución de Banca Múltiple, Banregio Grupo Financiero ("Banregio"), Banco del Bajio, S.A., Institución de Banca Múltiple ("Banco del Bajio"), Banco Invex, S.A., Institución de Banca Múltiple, INVEX Grupo Financiero ("Invex"), Banco Multiva, S.A., Institución de Banca Múltiple, Grupo Financiero Multiva, Banco Interacciones, S.A., Institución de Banca Múltiple, Grupo Financiero Interacciones ("Banco Interacciones"), Bansi, S.A., Institución de Banca Múltiple ("Bansi") and Banca Afirme, S.A., Institución de Banca Múltiple, Afirme Grupo Financiero ("Afirme").

In addition, legal and regulatory reforms in the Mexican banking industry have also increased competition among banks and among other financial institutions. On February 1, 2008, several amendments to the Mexican Banking Law were enacted, which among other things allowed for the incorporation of limited purpose banks (*bancos de nicho*), which can only engage in those activities expressly authorized by the CNBV and set forth in their by-laws, and are subject to lesser regulatory requirements (including a lower capital requirement) depending on such authorized activities. Competition is likely to increase as a result of the entrance of new participants into the banking sector. The Mexican banking authorities have recently granted a number of banking licenses for the establishment and operation of several new financial institutions. See "Our Business—Competition." The CNBV is likely to continue granting banking licenses to new participants. We believe that the Mexican government's commitments to adopt accelerated regulatory reforms in, and the liberalization of, the Mexican financial industry have also resulted in increased competition among financial institutions in Mexico. As the reform of the financial sector continues, foreign financial institutions, many with greater resources than us, have entered and may continue to enter the Mexican market either by themselves or in partnership with existing Mexican financial institutions and compete with us. There can be no assurance that we will be able to compete successfully with such domestic or foreign financial institutions or that increased competition will not have a material adverse effect on our financial position or operating results. See "Our Business—Competition."

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

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

- our future financial condition, results of operations and cash flows;
- any necessary corporate or government regulatory approvals;

- market perception of our stability and financial condition;

- general market conditions for capital-raising activities by commercial banks and other financial institutions; and

- economic, political and other conditions in Mexico and elsewhere.

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

We are subject to concentration default risks in our loan portfolio. Problems with one or more of our largest borrowers or within a targeted segment may adversely affect our financial condition and results of operations.

Our 20 largest borrowers and groups of borrowers represented approximately 38.4% of our total loan portfolio as of December 31, 2011. Loans to related parties accounted for 3.4% of our total loan portfolio at December 31, 2011. In recent years, we have changed our strategy and have granted fewer loans to our traditional clients, such as textiles and other exporters, in order to increase the emphasis of our loan portfolio on real estate development companies, agribusiness and state and local governments (which provide credit support through FIRA or through the federal tax appropriations (*participaciones federales*) to which the relevant governments are entitled) and individual mortgagors. However, problems with one or more of our largest borrowers, or in any sector or industry representing a significant portion of our loan portfolio, may have a material and adverse effect on our results of operations and financial position.

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

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

We engage in transactions with our parent Grupo Financiero Mifel and its affiliates that others may not consider to be on an arm's – length basis.

As of December 31, 2011, our principal shareholders, through Grupo Financiero Mifel, own 99.9% of our voting shares and control our board of directors. We have also entered into certain services agreements with our affiliates to allow these companies to offer their products and services within our branch network. Mexican law applicable to financial groups and institutions and our by–laws provide for several procedures designed to ensure that the transactions entered into with or among our affiliates and our parent company do not deviate materially from prevailing market conditions for those types of transactions, including requiring the approval of our board of directors for some of these transactions.

We cannot assure you that the transactions between us and Grupo Financiero Mifel or any of its subsidiaries or affiliates have been or will be conducted on a basis as favorable to us as could be obtained by us from unaffiliated parties. We are likely to continue to engage in transactions with our parent and its subsidiaries and affiliates, and we cannot assure you that we will do so on an arm's-length basis. In addition, future conflicts of interest between us and Grupo Financiero Mifel or any of its subsidiaries or affiliates may arise, which conflicts are not required to be and may not be resolved in our favor. See "Related Party Transactions".

Resources could be devoted, or our business or business opportunities could be diverted, to other entities within the financial group controlled by Grupo Financiero Mifel, or operations of other subsidiaries of Grupo Financiero Mifel may be transferred to us.

We are part of a financial group controlled by Grupo Financiero Mifel. Grupo Financiero Mifel could, at any time, devote more resources or divert our business or business opportunities to other subsidiaries of Grupo Financiero Mifel that directly or indirectly compete with us, as well as transfer certain operations of other subsidiaries of Grupo Financiero Mifel to us, on grounds of capital efficiency, regulatory constraints, or other criteria. Should more of our resources be devoted, or our business or business opportunities diverted, to other subsidiaries of Grupo Financiero Mifel, or if unprofitable operations of other subsidiaries of Grupo Financiero Mifel are transferred to us, our financial position could be adversely affected.

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

Except for loans to the federal government and loans to certain Mexican development banks guaranteed by the federal government and *Banco de México*, we are required to classify each loan or type of loan according to an assessment of risk based on criteria set forth by the General Rules for Banks and to establish corresponding reserves. The criteria to establish reserves include both qualitative and quantitative factors. Mexican banking regulations relating to loan classification and determination of loan loss reserves are generally different or less stringent than those applicable to banks in the United States and certain other countries. The Mexican government has enacted new rules regarding the manner in which Mexican banks classify loans and determine loan loss reserves. In particular, in 2009, the CNBV approved new rules that affect our provisions for loan losses in the credit card, consumer and mortgage loan portfolios, according to expected loss methodology. Effective March 1, 2011, as the result of a resolution issued by the CNBV, the loan rating methodology applicable to consumer and mortgage loans required that allowances for loan losses be calculated based on the expected loss model rather than the incurred loss model previously used, resulting in a decrease in the allowance for loans losses of Ps.7 million as compared to the allowance recognized the month prior to the adoption of the new methodology. The CNBV also required a change in the methodology to determine the allowance for loan losses of states and municipal governments resulting in a decrease of Ps.46 million as compared to the allowance recognized in the month prior to the adoption of new methodology. In the future, we may be required to create additional reserves if the credit quality of our loans to Mexican government entities deteriorates as a result of the government modifying its rating methodology for these loans. The criteria for calculating expected losses in these segments consider not only the credit rating but also the mix of the portfolio, concentration by maturities, market risk, collateral and repayment sources.

We may be required or deem it necessary to increase our respective loan loss reserves in the future, as a result of changes in CNBV rules or for other reasons. Increasing loan loss reserves could adversely affect our results of operations and financial position and our ability to pay amounts due on the Notes.

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

Non-performing or low credit quality loans can negatively impact our results of operations. We cannot assure you that we will be able to effectively control and reduce the level of the impaired loans in our loan portfolio. In particular, the amount of our reported non-performing loans may increase in the future as a result of growth in our loan portfolio or factors beyond our control, such as the impact of the global financial crisis and macroeconomic trends and political events affecting Mexico or events affecting given industries.

The total balance of non-performing loans as of December 31, 2011 was Ps.636 million, representing 4.6% of our loan portfolio. As of December 31, 2011 and December 31, 2010, the aggregate outstanding

principal amount and accrued interest of loans to our 15 largest clients (including loans to a single commercial group, to the Mexican government or a single state) represented 21% and 20%, respectively, of our total loan portfolio. If the financial well-being of any of these clients were to be negatively impacted by political, economic or industry-related developments or any other factor, it could lead to an increase in our non-performing or low credit quality loans.

In addition, our current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of our loan portfolio. As a result, if our loan portfolio deteriorates we may be required to increase our loan loss reserves, which may adversely affect our financial position and results of operations. Moreover, there is no precise method for predicting loan and credit losses, and we cannot assure you that our loan loss reserves are or will be sufficient to cover actual losses. If we are unable to control or reduce the level of our non-performing or poor credit quality loans, our financial position and results of operations could be materially and adversely affected.

We have experienced asset quality problems, including with respect to collateral, and have reported relatively large loan loss provisions.

The asset quality of our loan portfolio, including with respect to collateral, and the loan portfolios of other Mexican banks have been negatively affected by the unfavorable financial and economic conditions in Mexico following the global financial crisis that commenced in September 2008. Mexican regulatory authorities and the banking system responded to this situation in several ways, including making revisions to Mexican Banking GAAP, including allowing for the reclassification of certain "available for sale securities" to "held to maturity securities" and broadening the class of securities available for repurchase. Other regulatory responses have included imposing more stringent loan loss reserve requirements and capitalization standards, as well as adopting a number of programs designed to provide relief to Mexican borrowers in connection with the granting and restructuring of outstanding loans. Such reserve requirements could have a direct adverse impact on our financial results. Unfavorable financial and economic conditions in Mexico and these regulatory initiatives have caused the Mexican banking sector to experience asset quality problems and to record relatively large loan loss provisions. We also believe that recoveries from those non-performing loans as a percentage of the non-performing loan portfolio are likely to decline over time as a consequence of the aging of such non-performing loan portfolio, as well as the decreased value of the collateral supporting these loans.

In Mexico, as in other jurisdictions, foreclosure procedures may be subject to delays and administrative requirements that may result in lower levels of recovery on collateral compared to its value. In addition, other factors such as defects in the perfection of our security interests, fraudulent transfers by borrowers or a reduction in the value or liquidity of the collateral may impair our ability to recover on our collateral. Accordingly, there can be no assurance that we will be able to realize the full value of our collateral. As a result, lower recovery rates, asset quality deterioration, decreased value of collateral and lower levels of recovery on collateral compared to its value could have a material and adverse effect on our business, financial condition and results of operations.

Loans due within six months account for a significant portion of our interest income, and any significant reduction in short-term loans or disruption in the economy or in specific sectors of the economy may result in a significant decrease in our interest income.

A significant portion of our outstanding loans consist of loans due within six months. As of December 31, 2011, these loans represented 29.2% of our total outstanding loans. The near-term maturity dates of these loans means that our long-term interest income stream is less certain than if a higher proportion of our loans were long-term loans. Loans may not be rolled over upon maturity, particularly if competition increases or lower interest rates become available to our customers as a result of a general decrease in rates or the availability of new or different funding sources. In addition, the near-term maturity dates for repayment of these loans means that any disruption in the economy or in the specific sectors of the economy to which we primarily lend could result in a higher overall default rate on our loans. Either of

these two factors of unstable interest income and a higher rate of loan defaults could materially and adversely affect our results of operations and financial position.

Our liquidity may be adversely affected if we fail to maintain deposit growth or if there is a significant decrease in our deposits.

Many Mexican banks have suffered severe liquidity problems in the past, particularly in connection with refinancing short-term dollar liabilities in the international capital markets. Liquidity problems may affect the Mexican banking system in the future, and liquidity constraints may affect us in the future. While we expect to be able to pay or refinance our projected liabilities, we may not be able to repay such liabilities or refinance such liabilities on favorable terms.

Most of the short-term funding requirements of our banking business are met through deposits, including customer deposits and inter-bank deposits. As of December 31, 2011, substantially all of our deposits had current maturities of one year or less or were payable on demand. In the past, a substantial portion of our time deposits has been rolled over upon maturity, and these deposits have been a stable source of funding for our banking business. We cannot assure you, however, that this practice will continue and that we will be able to maintain the stability and consistency of our deposit base. If a substantial portion of our depositors do not roll over deposited funds upon maturity, our liquidity could be materially and adversely affected as we may be required to seek more expensive sources of short-term or long-term funding to finance our operations which, in turn, may have a material adverse effect on our financial conditions or results of operations. See “Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Funding.”

We may be required to make significant contributions to IPAB.

Under Mexican law, banks are required to make monthly contributions to IPAB to support its operations that are equal to 1/12 of 0.40% (the annual rate) multiplied by the average of certain liabilities. IPAB was created in January 1999 to manage the bank savings protection system and regulate the financial support granted to banks in Mexico. Mexican authorities impose regular assessments on banking institutions covered by IPAB for funding. We contributed Ps.85 million in 2010 and Ps.90 million in 2011 to IPAB. In the event that IPAB's reserves are insufficient to manage the bank savings protection system and provide the necessary financial support granted to troubled banking institutions, IPAB maintains the limited right to require extraordinary contributions to participants in the system.

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

We are required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in Mexico, all of which laws and regulations have recently changed. These laws and regulations require us, among other things, to adopt and enforce “know your customer” policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. Recent rules have been adopted in Mexico restricting the ability of Mexican banks to receive currencies in physical form, to handle large cash transactions and other similar transactions. See “Supervision and Regulation–.” While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures may not completely eliminate instances where we may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent we may fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose significant fines and other penalties on us. In addition, our business and reputation could suffer if customers become aware of our services being used for money laundering or illegal or improper purposes.

We are subject to trading risks with respect to our trading activities.

Our trading income is volatile. We derive a significant portion of our profits from our proprietary trading activities and any significant reduction in our trading income could materially and adversely affect our results of operations and financial position.

Our trading income is dependent on numerous factors beyond our control, such as the general market environment, overall market trading activity, interest rate levels, fluctuations in exchange rates and general market volatility. A substantial amount of our trading income has been derived from alternative investment strategies such as same-day foreign exchange trades and adjustable-rate bond instruments. See “Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of the Bank's Financial Condition—Results of Operations.” A significant decline in our trading income, or incurring a trading loss, could materially and adversely affect our results of operations and financial position.

We are subject to credit risks with respect to our non-traditional banking businesses such as investing in securities and entering into different types of derivatives transactions.

A portion of our businesses are not in the traditional banking businesses of lending and deposit-taking and also expose us to credit risk.

Non-traditional sources of credit risk can, for example, arise from:

- investing in debt securities of third parties;
- entering into derivative contracts under which counterparties have obligations to make payments to us; and
- executing securities and currency trades, from our proprietary trading desk, that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries.

Any significant increase in exposure to any of these risks could materially and adversely affect our results of operations and financial position.

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

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

We are subject to market and operational risks associated with derivative transactions.

We enter into derivative transactions primarily for hedging purposes and, to a lesser extent, on behalf of customers. We are subject to market and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of a counterparty to perform its obligations to us).

Market practices and documentation for derivative transactions in Mexico may differ from those in other countries. In addition, the execution and performance of these transactions depend on our ability to develop adequate control and administration systems, and to hire and retain qualified personnel. Moreover, our ability to adequately monitor and analyze these transactions depends on our information technology systems. These factors may further increase the risks associated with these transactions and could materially and adversely affect our results of operations and financial condition.

Reductions in our credit ratings would increase our cost of borrowing funds and negatively impact our ability to raise new funds, attract deposits or renew maturing debt.

Our credit ratings are an important component of our liquidity profile. Among other factors, our credit ratings are based on the financial strength, credit quality and concentrations in our total loan portfolio, the level and volatility of our earnings, our capital adequacy, the quality of management, the liquidity of our balance sheet, the availability of a significant base of core retail and commercial deposits, and our ability to access a broad array of wholesale funding sources. Our lenders and counterparties in derivative transactions are sensitive to the risk of a rating downgrade. A downgrade in our credit ratings would increase our cost of raising funds in the capital markets or of borrowing funds. Our ability to renew maturing debt may be more difficult and expensive.

Our ability to compete successfully in the marketplace for deposits depends on various factors, including our financial stability as reflected by our credit ratings. A downgrade in our credit rating may adversely affect perception of our financial stability and our ability to raise deposits.

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

One of our main strategies is to focus on the retail banking sector and to grow our retail loan portfolio rapidly. As a result, our loan portfolio may become increasingly vulnerable to macroeconomic shocks that could negatively impact the household income of our retail customers and result in increased loan losses. Furthermore, because the penetration of bank lending products in the Mexican retail sector historically has been low, there is little basis on which to evaluate how the retail sector will perform in the event of an economic crisis, such as a recession or a significant currency devaluation. Consequently, our historical loan loss experience may not be indicative of the performance of our loan portfolio in the future.

Our success depends, in part, on our retention of certain key personnel, our ability to hire additional key personnel, and the maintenance of good labor relations.

We depend on our executive officers and key employees. In particular, our senior management has significant experience in the banking and financial services businesses, and the loss of any of our executive officers, key employees or senior managers could negatively affect our ability to execute our business strategy.

Our future success also depends on our continuing ability to identify, hire, train and retain other qualified managerial personnel. Competition for such qualified personnel is intense and we may be unable to attract, integrate or retain qualified personnel at levels of experience or compensation that are necessary to sustain or expand our operations. Our businesses could be materially and adversely affected if we cannot attract these necessary personnel.

Our ability to maintain our competitive position depends, in part, on the success of new products and services we offer our clients and our ability to maintain offering products and services from third parties, and we may not be able to manage various risks we face as we expand our range of products and services.

The success of our operations and our profitability depends, in part, on the success of new products and services we offer our clients and our ability to maintain products and services from third parties. However, we cannot guarantee that our new products and services will be successful once they are offered to our clients, or that they will be successful in the future. In addition, our clients' needs or desires may change over time, and such changes may render our products and services obsolete or outdated and we may not be able to develop new products that meet our clients' changing needs. Our business will be materially and adversely affected if we cannot respond in a timely fashion to the changing needs of our clients.

As we expand the range of our products and services, some of which may be at an early stage of development in the Mexican market, we will be exposed to new and potentially increasingly complex risks. Our employees and our risk management systems may not be adequate to handle such risks. Any or all of these factors, individually or collectively, could materially and adversely affect our results of operations and financial position.

Effectively managing the rapid expansion of Banca Mifel's branch network is challenging.

We are rapidly expanding the number of branches in our network. As of December 31, 2009, we had 30 branches and as of December 31, 2011, we had expanded our network to 46 branches. We are planning to open new branches at a similar pace as we have done in the past. There can be no assurance that we will achieve this growth objective. Effectively managing growth on this scale includes many challenges, including, among other factors, hiring sufficient numbers of key employees to meet our growth targets, our ability to open as many or more new branches in future years as we have opened in the prior years, creating demand for additional branches and linking branches to our system's infrastructure and solving other operational challenges. We may not be able to sustain the current levels of expansion or meet future growth objectives with respect to our branch network which could adversely affect our future profitability.

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

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

We are also dependent on information systems to operate our website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, computer “hackers” or other causes. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our clients with delays or errors, which could reduce demand for our services and products and could materially and adversely affect our results of operations and financial position.

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

Our ability to remain competitive will depend in part on our ability to upgrade our information technology infrastructure on a timely and cost-effective basis, which we require and are committed to complete. We must continually make significant investments and improvements in our information technology infrastructure in order to remain competitive. In particular, as we continue to open new branches, we need to improve our information technology infrastructure, including maintaining and upgrading our software and hardware systems and bank-office operations. The information available to and received by our management through our existing information systems may not be timely and sufficient to manage risks as well as to plan for and respond to changes in market conditions and other developments in our operations. In addition, we may experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate our growing customer base and our more complex operations and branch network. Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could materially and adversely affect our competitiveness, financial condition and results of operations.

We are subject to Mexican Capitalization Rules that limit our capital flexibility.

Pursuant to the Mexican Capitalization Rules, we are required to maintain specified levels of net capital on an unconsolidated basis as a percentage of risk-weighted assets and market risks, or Capital Ratio, of 8.00% or above. As of December 31, 2011, we had a Capital Ratio of 13.05%. Our ability to comply with this requirement may be affected by changes in economic or business conditions (including a devaluation), results of operations or other events beyond our control. If we fail to comply with Mexican Capitalization Rules we would be required to defer interest and principal payments, including payments on the Notes. See “Description of the Notes — Treatment of Interest and Principal During a Suspension Period.”

Mexican governmental regulations may adversely affect our operating results and financial position.

We are subject to extensive regulation by Mexican governmental authorities regarding our organization, operations, capitalization, corporate governance, transactions with related parties and other matters. These laws and regulations impose numerous requirements on us and our affiliates, including the maintenance of minimum risk-based capital levels and loan loss reserves, regulation of our business practices, diversification of our investments, maintenance of liquidity ratios, regulation of loan granting policies and interest rates charged, and application of required accounting regulations. Many of the applicable laws and regulations have been subject to extensive changes in recent years, some of which have had a material effect on our financial position and results of operations. For example, several laws were enacted during 2008 and 2009 by the Mexican Congress requiring the elimination of certain fees for credit cards, deposit accounts, and the use of ATMs, as well as granting *Banco de México* the authority to approve, reject or limit account management and general fees that banks, including Banca Mifel, charge to their customers and also granting the ability to impose penalties if in its judgment banking institutions are limiting competition among themselves. Moreover, Mexican financial regulatory authorities possess significant powers to enforce applicable regulatory requirements in the event of our failure to comply with such regulatory requirements, including imposing fines, requiring that new capital be contributed, prohibiting the payment of dividends to shareholders or the payment of bonuses to employees, imposing sanctions or revoking our licenses and permits to operate our businesses. In the event that we encounter significant financial problems or become insolvent or in danger of becoming insolvent, Mexican financial regulatory authorities have the power to take over our management and operations.

Given the current environment of frequent changes to laws and regulations affecting the financial services sector, there may be future changes in the regulatory system or in the enforcement of the laws and regulations that could adversely affect us. See “Supervision and Regulation” for a discussion of the governmental authorities that regulate us.

In particular, on July 26, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision (the "Basel Committee"), reached broad agreement on the overall design of a capital and liquidity reform package for internationally active banking organizations around the world, known as Basel III, which includes, among other things, a revised definition of capital, the treatment of counterparty credit risk, the leverage ratio and the global liquidity standard. On September 12, 2010, the Basel Committee announced a substantial strengthening of existing capital requirements in connection with Basel III. The full text of the Basel III rules and the results of a quantitative impact study to determine the effects of the reforms on banking organizations were published on December 16, 2010.

While the short- and long-term impact of any implementation of Basel III in Mexico remains uncertain, Basel III is expected to impose higher minimum capital requirements on banking institutions, as well as a capital conservation buffer that can be used by banks to absorb losses during periods of financial and economic stress. We cannot foresee how such regulation may impact our business, financial condition or results of operations. However, it is possible that higher capital requirements in the future as a result of such regulation could cause our Capital Ratios to be insufficient for regulatory purposes and could lead us to engage in capital conservation measures or may require us to raise more equity, which may lead to dilution of earnings and lower return on equity.

Mexican banking and financial services laws and regulations are subject to continuing review and changes, and any such changes in the future may have an adverse impact on, among other things, our ability to make and collect loans and other extensions of credit on terms and conditions, including interest rates, that are adequately profitable, which could materially and adversely affect our results of operations and financial position.

Future Mexican government restrictions on interest rates or banking fees could negatively affect our profitability.

In Mexico, the Financial Services Users Protection and Defense Law (*Ley Federal de Protección y Defensa al Usuario de Servicios Financieros*) and other applicable law, do not impose any limit on the interest rate or banking fees, subject to certain exceptions, that a bank may charge. However, the possibility that such limits may be imposed has been and continues to be debated by the Mexican Congress and Mexican regulators. In the future, the Mexican government could impose limitations or additional informational requirements regarding such rates of interest or fees. A portion of our revenues and operating cash flow is generated by our consumer credit services and any such limitations or additional informational requirements could materially and adversely affect our results of operations and financial position.

The volatility in peso exchange rates and interest rates in Mexico may adversely affect our business.

We are exposed to currency risk any time we hold an open position in a currency other than pesos and to interest rate risk when we have an interest rate repricing gap or carry interest earning securities having fixed real or nominal interest rates. Peso exchange rates and interest rates in Mexico have been subject to significant fluctuations in recent years. Because of the historical volatility in peso exchange rates and interest rates in Mexico, the risks associated with such positions may be greater than in certain other countries. Exchange rates and interest rates have experienced considerable volatility from October 2008 to date due to the U.S. and international financial crisis. Although we follow various risk management procedures in connection with our trading and treasury activities, there can be no assurance that we will not experience losses with respect to these positions in the future, any of which could have a material adverse effect on our results of operations and financial position. See "Selected Statistical Information—Interest Rate Sensitivity of Assets and Liabilities" and "Risk Management."

In recent years, interest rates in Mexico have been low by historical standards; however, there can be no assurance that such low rates will continue in the future. A sustained increase in interest rates will also raise our funding costs and may reduce our loan demand, especially among consumers. Rising

interest rates may therefore require us to re-balance our asset portfolio and our liabilities in order to minimize the risk of potential mismatches and maintain our profitability. In addition, rising interest rate levels may adversely affect the Mexican economy and the financial position and repayment ability of our corporate and retail borrowers, including holders of our credit cards, which in turn may lead to a deterioration in our asset quality.

Also, volatility in exchange and interest rates could affect the ability of our clients to repay their loans, which could result in an increase in our non-performing loan portfolio, and therefore materially and adversely affect our business, financial condition and results of operations.

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

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

Interpretation of tax provisions by the Mexican tax authorities could affect financial conditions and results of operations

In accordance with the Mexican Income Tax Law, Mexican banks are allowed to deduct increases in their loan loss reserves up to an amount equal to 2.5% per year of the average total loan portfolio. However, there have been different interpretations as to the manner in which such deductions are calculated and applied, which has resulted in different applications of the relevant tax provisions in the Mexican banking sector. Currently, we are involved in several different litigation proceedings against the SAT, in connection with the manner in which we have deducted the increases of our loan loss reserves in past years, each of which is in a different stage of the judicial process.

We expect to obtain a favorable resolution in each of the proceedings. We have obtained confirmations from independent tax advisers in respect of the correctness our interpretation of tax laws. However, litigation always involves a degree of uncertainty, and we cannot assure that such favorable resolutions will be obtained.

If resolutions are unfavorable to us in any such proceedings, we may be required to pay amounts equal to unpaid taxes and related penalties and interest.

Risks Relating to Mexico

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

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

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

Political events in Mexico may significantly affect Mexican economic policy and, consequently, our operations. On December 1, 2006, Felipe de Jesús Calderón Hinojosa, a member of the Partido Acción Nacional ("PAN"), formally assumed office for a six-year term as the President of México. Currently, no political party holds a simple majority in either house of the Mexican Congress.

During this term, while President Calderon's administration has implemented a series of measures intended to palliate the effects of the global financial crisis in the Mexican economy, including countercyclical fiscal and monetary policies, the lack of alignment between the legislature and the President has resulted in many deadlocks and prevented the implementation of several political and economic reforms, which now seem urgent as their lack of implementation could have a material adverse effect on Mexican economic policy, which in turn could have an effect on our business and the prices of and returns on Mexican securities.

Presidential and federal congressional elections, as well as elections for governorship of certain states of Mexico, will be held in July 2012. The Mexican presidential election will result in a change in administration, as presidential reelection is not permitted in Mexico. Furthermore, as in the current administration, no assurance can be given that the political party that wins the presidential election will also hold the majority of seat in the Mexican Congress. We cannot predict whether changes in Mexican governmental and economic policy will result from the change in administration. Any such changes could adversely affect economic conditions in Mexico or the Mexican banking sector and therefore our results of operations and financial position.

In recent years, there has been an increasing amount of social instability in Mexico in the form of violent crime carried out by organized cartels and others involved in drug trafficking, which has particularly affected the areas of northern Mexico that border the U.S. In response, the Mexican government has implemented various security measures and has strengthened its military and police forces. Despite these efforts, drug-related crime continues to exist in Mexico. The continuation or escalation of such crime could have negative consequences for the Mexican economy or destabilize its political system, which could adversely affect our business.

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

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

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

Mexico experienced a period of slow growth from 2001 through 2003 primarily as a result of the downturn in the U.S. economy. In 2008, "real" GDP grew by 1.5% and inflation increased to 5.1%; in 2009, "real" GDP decreased by 6.2% and inflation increased to 5.3%; and in 2010, "real" GDP increased by 5.5% and inflation increased to 4.2%. In 2011, "real" GDP increased by 3.9% and inflation decreased to 3.4%.

Mexico also has, and is expected to continue to have, high real and nominal interest rates relative to the U.S. The interest rates on 28-day Mexican government treasury securities *Certificados de la Tesorería de la Federación* ("CETES") averaged approximately 7.2%, 5.4%, 4.4% and 4.2% for 2008, 2009, 2010 and 2011, respectively, according to *Banco de México*. Accordingly, if we incur Peso-denominated debt in the future, it could be at high interest rates.

As a consequence of the global recession and economic slowdown during 2008, the Mexican economy entered into a recession. In 2009, Mexico's GDP experienced its worst drop in recent history. Employment was negatively impacted, with the unemployment rate reaching 4.80% in December 2009 from 4.30% in December 2008, according to INEGI. The consumer confidence index in Mexico decreased to an eight-year low of 37 points in February 2009 according to INEGI, with a corresponding impact on consumption. A recession could affect our operations to the extent that we are unable to reduce our costs and expenses in response to falling demand. Similarly, our loan portfolio could deteriorate as a result of higher delinquency rates. These factors could result in a decrease in our loan portfolio and our revenues and net income.

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

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

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

In 2009 and 2010, as a result of the negative economic conditions in the United States and other parts of the world, local and international markets experienced high volatility, which has contributed to the devaluation of the peso. In 2010, the peso appreciated by 5.51% as compared to the U.S. dollar, according to *Banco de México*. In 2011, the peso depreciated by 12.96% as compared to the U.S. dollar, according to *Banco de México*. The Mexican government has implemented a series of measures to limit the volatility of the peso. However, we cannot assure you that such measures will be effective or maintained or how such measures will impact the Mexican economy.

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

Developments in other countries may affect the prices for our securities.

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. For example during 2007 and 2008, prices of both Mexican debt and equity securities decreased substantially as a result of the global financial crisis. The Dow Jones Industrial Average index fell by 35% from its average level in July 2007 to

its January 2009 average level, while Mexico's stock exchange index (IPC) fell by 39% in the same period, according to *Banco de México*. According to *Banco de México*, during 2010 and 2011 GDP increased by 5.5% and 3.9% respectively, indicating an improvement in the economy. The Dow Jones and IPC were at 11% and 5.5%, respectively, for 2010 and at 20% and -3.8%, respectively for 2011, according to Reuters.

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

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

During November 2009, the Mexican Congress approved a general tax reform, effective as of January 1, 2010. The general tax reform includes changes to the tax consolidation regime that will require the deconsolidation of tax returns prepared for prior periods. Specifically, the tax reform requires taxes to be paid on items in past years that were eliminated in consolidation or that reduced consolidated taxable income. In addition, the general tax reform increases the income tax rate applicable to the highest tax brackets from 28% to 30% for the years 2010 through 2012, which will be reduced to 29% in 2013 and 28% in 2014, and increases the value added tax rate from 15% to 16%. This tax reform may adversely affect the financial position of our customers, which may adversely affect our business.

Our regulatory disclosures may be different than those of financial institutions in other countries.

Accounting and other reporting principles and standards for credit and other financial institutions in Mexico and the financial results reported using such principles and standards may differ substantially from those results that would have been obtained using other principles and standards, such as U.S. GAAP. See "Annex A – Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

Risks Relating to the Notes

The Notes will be unsecured and subordinated and rank junior in right of payment and in liquidation to all of our present or future senior indebtedness.

The Notes constitute our cumulative, unsecured, subordinated, preferred indebtedness, and will be subordinated and junior in right of payment and in liquidation to all of our senior indebtedness and will rank *pari passu* without preference among themselves and with all of our other unsecured subordinated preferred indebtedness. No payment of principal (including redemption payments), premium, if any, or interest on the Notes may be made at any time when any senior indebtedness is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or the maturity of any senior indebtedness has been accelerated because of a default.

By reason of the subordination of the Notes, in the case of certain events involving bankruptcy (*concurso mercantil* or *quiebra*) or dissolution and liquidation, although the Notes would become immediately due and payable at their principal amount together with accrued interest thereon, our assets would be available to pay such amounts only after all of our senior indebtedness has been paid in full. As

of December 31, 2011, we had an aggregate of Ps.24,351 million (U.S.$1,745 million) of senior indebtedness, which includes total deposits, outstanding. We expect to incur additional senior indebtedness from time to time, and the indenture does not limit our ability to incur additional senior indebtedness and subordinated preferred indebtedness. See “Description of the Notes—Subordination.”

Interest and principal payments to be made by us under the Notes could be deferred if our Capital Ratio has declined below the Capital Ratio required under the Mexican Capitalization Rules, or if a Mexican Regulatory Event has occurred and is continuing.

Under the Mexican Capitalization Rules, capital securities issued by us will be taken into account when assessing our risk-weighted capital adequacy. For the Notes to qualify as our capital, the indenture provides that interest and principal payments will be deferred, on the corresponding payment dates, if our Capital Ratio declines below the minimum percentage required from time to time by the Mexican Capitalization Rules (as of the date of this offering memorandum, the minimum percentage required in order for the CNBV not to require the deferral of interest of subordinated debt such as the Notes is 10.00%), or if any Mexican Regulatory Event has occurred and is continuing. See “Description of the Notes—Treatment of Interest and Principal During a Suspension Period.”

Payments of interest due on the Notes will be cumulative, so that in the event that payments of interest cease during a Suspension Period, holders of the Notes will have the right to receive any amount of unpaid interest at the end of such Suspension Period. See “Description of the Notes—Treatment of Interest and Principal During a Suspension Period.” Any suspension of payments due to our failure to maintain a Capital Ratio equal to or greater than the minimum percentage required under the Mexican Capitalization Rules would have a material adverse effect on our ability to make scheduled payments under the Notes. See “Supervision and Regulation” for a discussion of the Mexican Capitalization Rules.

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

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

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

- all of our senior obligations have been paid in full as described in “Description of the Notes—Subordination”; and
- we are actually declared bankrupt for purposes of Mexican law.

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

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

Upon the occurrence and continuation of certain specified changes affecting taxation of the Notes or treatment of the Notes as capital securities under the Mexican Capitalization Rules, as described under “Description of the Notes—Redemption” we will have the option under the indenture to redeem the Notes at any time prior to the Maturity Date, in whole but not in part, subject to any regulatory requirements. See “Description of the Notes—Redemption—Withholding Tax and—Special Event Redemption.” The redemption would be subject to our obtaining an approval from *Banco de México*.

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

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

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

We applied to list the Notes on the Official List of the LuxSE and to trade the Notes on the Euro MTF market. In addition, in the event there are changes in the listing requirements, we may conclude that continued listing on the LuxSE is unduly burdensome. We cannot assure you:

- regarding the liquidity of any markets that may develop for the Notes,
- that an active public market for the Notes will develop,
- regarding your ability to sell your Notes (or beneficial interests therein), or
- regarding the price at which you will be able to sell your Notes, as the case may be.

In addition, the Notes have not been registered under the Securities Act and will be subject to transfer restrictions. See "Transfer Restrictions."

We do not intend to provide registration rights to holders of Notes and do not intend to file any registration statement with the SEC in respect of the Notes. The Notes have not been registered with the Mexican National Securities Registry and therefore the Notes may not be offered or sold in Mexico, except to qualified and institutional investors pursuant to the private placement exemptions set forth in Article 8 of the Mexican Securities Market Law.

Future trading prices of the Notes will depend on many factors including, among other things, prevailing interest rates, our operating results, and the market for similar securities. The Initial Purchaser has informed us that they may make a market in the Notes. However, the Initial Purchaser is not obligated to do so and any such market-making activity may be terminated at any time without notice to you. In addition, such market-making activity will be subject to the limits of the Securities Act. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. See "Plan of Distribution." In addition, trading or resale of the Notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Mexican issuers generally.

Mexican law does not require us to pay our foreign currency-denominated obligations or foreign-currency judgments against us in a currency other than Pesos.

Under Article 8 of the Mexican Monetary Law (*Ley Monetaria de los Estados Unidos Mexicanos*), if proceedings are brought in Mexico seeking to enforce in Mexico our obligations under the Notes or seeking to enforce a judgment against us in respect of the Notes obtained in a court outside of Mexico, we would not be required to discharge such obligations in Mexico in a currency other than Mexican currency. Pursuant to such Article 8, an obligation that is payable in Mexico in a currency other than Mexican currency, may be satisfied in Mexican currency at the rate of exchange in effect on the date and

in the place payment occurs. Such rate currently is determined by *Banco de México* every business banking day in Mexico and published the following business banking day in the Federal Official Gazette of Mexico (*Diario Oficial de la Federación*). It is unclear, however, whether the applicable rate of exchange applied by the Mexican court to determine the Mexican Judgment Currency is the rate prevailing at the time when the judgment is rendered or when the judgment is paid. Provisions that purport to limit our liability to discharge our obligations in Pesos as described above, or to give any party an additional course of action seeking indemnity or compensation for possible deficiencies arising or resulting from variations in currency rates of exchange, may not be enforceable in Mexico.

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

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

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the Notes in this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately U.S.$144,963,000.

We intend to use the net cash proceeds of this issuance for repayment, redemption or other satisfaction of our Existing Notes and for general corporate purposes, which may include:

- providing additional long-term capital to fund the opening of new branches;
- providing additional long-term capital to support the growth of our lending portfolio; and
- increasing our capital base.

EXCHANGE RATES

The following table sets forth, for the periods indicated, the period-end, average, high and low Banco de México Exchange Rate expressed in Pesos per U.S. dollar. The rates shown below are in nominal Pesos that have not been restated in constant currency units. Unless otherwise indicated, U.S. dollar amounts that have been translated from Pesos have been so translated at an exchange rate of Ps.13.95 to U.S.$1.00, the Banco de México Exchange Rate in effect for December 31, 2011. No representation is made that the peso amounts referred to in this offering memorandum could have been or could be converted into U.S. dollars at any particular rate or at all.

Year ended December 31,	Low	High	Average	End of Period
2007	10.66	11.27	10.93	10.92
2008	9.92	13.92	11.14	13.83
2009	12.60	15.37	13.50	13.07
2010	12.16	13.18	12.63	12.35
2011	11.50	14.24	12.43	13.95

The table below shows the high and low noon buying rates for pesos for January, February, March, April, May, June, July and through July 13, 2012.

Year 2012	Low	High	Average	End of Period
January	12.93	13.93	13.42	13.01
February	12.65	12.89	12.78	12.79
March	12.63	12.98	12.76	12.81
April	12.73	13.23	13.07	12.99
May	12.96	14.07	13.63	14.07
June	13.41	14.39	13.92	13.41
July (through July 13, 2012)	13.29	13.49	13.39	13.48

The rates shown above are in nominal pesos that have not been restated in constant currency units. No representation is made that the peso amounts referred to in this offering memorandum could have been or could be converted into U.S. dollars at any particular rate or at all.

DIVIDENDS

Under Mexican law, only shareholders at a general shareholders' meeting, subject have the authority to declare a dividend, and, although not required by law, such declarations typically follow the recommendation of the board of directors. The declaration, payment and amount of dividends are determined by Grupo Financiero Mifel at the general ordinary shareholders' meeting of Banca Mifel, and are based on the approved earnings for any applicable fiscal year and are only payable if there are no outstanding losses for any prior fiscal year. Our recent practice is not to pay any dividends. We did not pay any dividends in the years 2009, 2010 and 2011.

The amount and payment of future dividends, if any, will be subject to applicable law and depend upon a variety of factors that may be considered by our board of directors or Grupo Financiero Mifel as our main shareholder and, hence, indirectly by the shareholders of Grupo Financiero Mifel, including our future operating results, financial condition and capital requirements, and legal and contractual restrictions in our current and future debt instruments.

Pursuant to Mexican law, we cannot pay dividends if our Capital Ratio is below the minimum percentage required by the Mexican Capitalization Rules, or if ordered by a corrective measure by the CNBV under Article 134 Bis and Article 134 Bis 1 of the Mexican Banking Law as described in "Supervision and Regulation—Corrective Measures." As of December 31, 2011 we met the required capitalization level for the payment of dividends.

Under Mexican law, at least 10% of our net income (on a non-consolidated basis and after employee profit-sharing and other deductions required by Mexican law) must be allocated annually to a legal reserve fund until such fund reaches an amount equal to at least 100% of our paid-in capital. We may only pay dividends out of earnings (including retained earnings after all losses have been absorbed or paid) and only after meeting the legal reserve fund requirements. The amount of earnings available for dividend payments is determined under Mexican Banking GAAP.

CAPITALIZATION

The following table sets forth, as of December 31, 2011, our actual capitalization and capitalization adjusted to reflect the issuance of the Notes offered hereby and the application of the net proceeds of this offering as described herein under "Use of Proceeds."

	As of December 31, 2011			
	Actual		As Adjusted[2]	
	(millions of pesos)	(millions of U.S.$)[3]	(millions of pesos)	(millions of U.S.$)[3]
Indebtedness:				
Interbank loans and loans from other entities (short – term)	Ps. 2,719	U.S.$ 195	Ps. 2,719	U.S.$ 195
Interbank loans and loans from other entities (long – term)	766	55	766	55
Outstanding subordinated debentures [4]	1,424	102	-	-
Notes offered hereby	-	-	2,092	150
Total debt	4,909	352	5,577	400
Stockholders' Equity:				
Paid-in capital[5]	1,171	84	1,171	84
Other stockholders' equity accounts	218	16	218	16
Total stockholders' equity	1,389	100	1,389	100
Total Capitalization[1]	Ps. 6,298	U.S.$ 452	Ps. 6,966	U.S.$ 500

(1) Except as disclosed in this offering memorandum (See "Summary – Recent Developments – Capital Investment"), there has been no material change in our total capitalization since December 31, 2011.

(2) The "As Adjusted" columns include the issuance of the Notes for U.S.$150 million, and the expected redemption of our Existing Notes on July 25, 2012, subject to necessary regulatory approval. This adjustment does not reflect our capital increase discussed in note 5 below.

(3) The data expressed in dollars has been translated for convenience of the reader using the exchange rate of Ps.13.95 per U.S.$1.00, as of December 31, 2011 based on the Banco de México Exchange Rate.

(4) Refers to our issuance in July 2007 of U.S.$100 million 11% preferential perpetual subordinated debentures (referred to herein as the Existing Notes). The debentures issued are counted as capital when calculating our capitalization under Mexican Capitalization Rules and are redeemable, at our option, as from the fifth year.

(5) As of December 31, 2011, our capital stock (*capital social*) was Ps. 550 million, represented by 550,000 common, registered, Series O shares, of which (i) 540,000 shares were fully subscribed and paid-in, and (ii) 10,000 shares were pending subscription and payment. On February 24, 2012, the IFC invested Ps.32 million in our parent company in exchange for its shares. In addition, a new group of shareholders invested Ps.157 million in our parent company in exchange for its shares. These investments represent a total capital contribution of Ps.509.3 million to Grupo Financiero Mifel. These proceeds were in turn transferred to us on March 30, 2012, which represent a capital increase of 36.4% to our capital base. See "Summary – Recent Developments – Capital Investment" and "Supervision and Regulation—Capitalization".

SELECTED FINANCIAL INFORMATION

The following selected financial data as of December 31, 2009, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011 are derived from our financial statements for such periods. Banca Mifel's audited financial statements as of December 31, 2010 and 2011 and for the fiscal years ended December 31, 2009, 2010 and 2011, are included in this offering memorandum. The selected financial information below is qualified in its entirety by, and should be read in conjunction with, “Management's Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements included elsewhere in this offering memorandum. Our audited financial statements as well as all other financial data expressed in Mexican pesos included in this offering memorandum, unless otherwise indicated, are presented in pesos as of December 31, 2011.

The following tables contain translations of certain peso amounts into dollars at specified rates solely for the convenience of the reader. The exchange rates used in translating pesos into dollars in calculating the convenience translations are determined by reference to the Banco de México Exchange Rate as of December 31, 2011. As of December 31, 2011, this rate was Ps.13.95 per U.S.$1.00. The exchange rate translations contained herein should not be construed as representations that the peso amounts actually represent the dollar amounts presented or that they could be converted into dollars at the rates indicated.

We prepare our financial statements according to Mexican Banking GAAP. See “Annex A— Summary of Certain Differences between Mexican Banking GAAP applicable to financial institutions and U.S. GAAP.” No reconciliation to U.S. GAAP of any of the financial statements included in this offering memorandum has been prepared for purposes of this offering memorandum.

	For the years ended December 31,							
	2009		2010		2011[3]		2011	
	(millions of pesos)						(unaudited) (millions of U.S.$)[1]	
Income Statement Data:								
Interest income	Ps.	1,950	Ps.	2,451	Ps.	2,554	U.S.$	183
Interest expense		(1,429)		(1,548)		(1,682)		(121)
Financial margin		521		903		872		62
Provision for loan losses		(154)		(284)		(135)		(10)
Financial margin after provision for loan losses		367		619		737		52
Commissions and fees – received[2]		93		106		116		8
Commissions and fees – paid		(48)		(49)		(49)		(4)
Net gain or (loss) in Brokerage operations		66		(24)		167		12
Other operating income		151		284		56		4
Administration and promotional expenses		(559)		(726)		(926)		(66)
Income before income taxes		70		210		101		6
Current income tax expense		(13)		42		-		-
Deferred income tax benefit		-		(47)		(66)		(5)
Net income	Ps.	57	Ps.	215	Ps.	167	U.S.$	11

(1) The data expressed in dollars has been translated for convenience of the reader using the exchange rate of Ps.13.95 per U.S.$1.00, as of December 31, 2011 based on the Banco de México Exchange Rate. See “Risk Factors—Risks Relating to Mexico—Depreciation or fluctuation of the peso relative to the U.S. dollar and other currencies can adversely affect our results of operations and financial condition" and "Exchange Rates.”

(2) Commissions charged when granting loans (origination fees) are deferred and amortized over the term of the loan using the straight-line method.

(3) Our financial statements for the year ended December 31, 2011 are not comparable to our financial statements for the years ended December 31, 2010 and 2009. See Notes 3(f) and 24 to our Financial Statements.

	As of December 31,			
	2009	2010	2011[3]	2011
		(millions of pesos)		(unaudited) (millions of U.S.$)[1]
Balance Sheet Data:				
Cash and due from banks	Ps. 4,174	Ps. 2,957	Ps. 2,663	U.S.$ 191
Margin accounts	2	1	-	-
Investment in securities[2]	12,131	17,470	20,311	1,456
Derivatives financial instruments	10	2	-	-
Adjustment related to changes in the fair value of hedged item	51	140	158	11
Total loan portfolio - net	13,071	14,825	13,391	960
Other accounts receivable - net	74	595	666	48
Property, furniture and equipment	147	167	256	19
Foreclosed assets - net	8	8	11	1
Equity investments	2	2	5	-
Deferred taxes and employees' statutory profit sharing, net	47	112	197	14
Other assets	183	362	557	40
Total assets	29,900	36,641	38,215	2,740
Deposits	3,225	2,916	3,437	246
Time deposits	10,148	17,054	17,351	1,244
Bank bonds	79	77	78	6
Interbank loans and loans from other entities	6,465	4,749	3,485	250
Creditors under agreements to repurchase	7,234	8,150	9,545	684
Derivatives financial instrument	38	148	182	13
Other accounts payable	294	940	1,259	90
Outstanding subordinated debentures	1,335	1,262	1,424	102
Deferred credit, net	46	43	65	5
Total liabilities	28,864	35,339	36,826	2,640
Total stockholders' equity	Ps. 1,036	Ps. 1,302	Ps. 1,389	U.S.$ 100

(1) The data expressed in dollars has been translated for convenience of the reader using the exchange rate of Ps.13.95 per U.S.$1.00, as of December 31, 2011 based on the Banco de México Exchange Rate. See "Risk Factors—Risks Relating to Mexico— Depreciation or fluctuation of the peso relative to the U.S. dollar and other currencies can adversely affect our results of operations and financial condition" and "Exchange Rates."

(2) Investment in securities includes securities held for trading purposes, available-for-sale securities and securities held to maturity.

(3) The CNBV also provided us with an accounting accommodation through statement number 100/012/2011 dated July 11, 2011, in accordance with the provisions of Article 175 of the General Rules for Banks, in connection with the corporate structuring process conducted to strengthen our operating and control framework. This accounting accommodation resulted in the direct recognition in retained earnings of certain commissions relating to loan structuring and professional services performed by us, which previously had been recognized in our statements of income during the years ended December 31, 2010 and 2009, and presentation of the corresponding amount within liabilities until earned under the criterion of the CNBV. The net effect of this accommodation was a charge to retained earnings during 2011 of Ps.83 million. Beginning in 2011, our policies for recognizing such commissions and professional services were modified accordingly and, as a result, our financial statements for the year ended 2011 are not comparable to our financial statements as of and for the years ended 2010 and 2009. During 2011, the CNBV also issued new methodologies for rating mortgage and non – revolving loans, as well as loans to state and municipal governments. This change in the methodology was recognized prospectively and resulted in a decrease in the allowance for loan losses of Ps.7 million and Ps.46 million for mortgage and non – revolving loans and loans granted to state and municipal governments, respectively, as compared to the allowance for loan losses required in the month prior to the adoption of this new methodology. See Notes 3(f) and 24 to our Financial Statements.

	As of/For the years ended December 31,		
	2009	2010	2011[3]
		(millions of pesos, except percentages)	
Other Financial Data:			
Average total assets[1]	Ps. 25,252	Ps. 31,650	Ps. 34,874
Average total liabilities[1]	24,272	30,509	33,527
Average stockholders' Equity[1]	980	1,141	1,347
Profitability and performance ratios:			
Financial margin on average total assets	2.06%	2.85%	2.50%
Return on average total assets	0.23%	0.68%	0.48%
Return on average stockholders' Equity	5.82%	18.84%	12.40%
Efficiency ratio[2]	88.87%	77.56%	90.17%
Liquidity:			
Total loan portfolio as a percentage of total deposits	97.17%	73.95%	64.18%
Capital:			
Average stockholders' equity/average total assets	3.88%	3.61%	3.86%
Total stockholders' equity as a percentage of total assets	3.46%	3.55%	3.63%
Total capital to risk-weighted assets	16.71%	14.99%	13.05%
Asset Quality:			
Allowance for loan losses / total loan portfolio	2.48%	3.28%	2.66%
Allowance for loan losses /non-performing loans	105.38%	110.33%	57.55%
Allowance for loan losses as a percentage of loans graded "C," "D" and "E"	150.68%	69.46%	115.61%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of total loan portfolio (total performing loans plus non-performing loans)	(0.13%)	(0.31%)	1.96%
Net non-performing loans (total non-performing loans less allowance for loan losses) as a percentage of stockholders' equity	(1.64%)	(3.61%)	19.44%
Loans graded "C," "D" and "E" as a percentage of total loan portfolio	1.65%	4.72%	2.30%
Average total performing loans	10,263	15,038	13,616
Credit Quality Data			
Total loan portfolio	13,404	15,327	13,757
Non-performing loans	316	455	636
Allowance for loan losses	333	502	366
Non-performing loans to total loan portfolio[1]	2.36%	2.97%	4.62%

(1) These figures are calculated using monthly average balances. Average total assets and average total liabilities include net repurchase and resale agreement transactions and net derivative financial instruments.

(2) The efficiency ratio is equal to administrative and promotional expenses as a percentage of net operating revenue.

(3) Our financial statements for the year ended December 31, 2011 are not comparable to our financial statements for the years ended December 31, 2010 and 2009. See Notes 3(f) and 24 to our Financial Statements

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

The following discussion and analysis should be read in conjunction with our financial statements contained elsewhere in this offering memorandum. We prepare our financial statements according to Mexican Banking GAAP, which differ in certain aspects from U.S. GAAP and SEC guidelines applicable to financial institutions in the United States. See "Presentation of Financial and Other Information" and Annex A for a description of certain differences between Mexican Banking GAAP and U.S. GAAP, as such differences relate to us. The following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Risk Factors." See "Forward-Looking Statements."

Overview

Banca Mifel is a limited liability company (*sociedad anónima*) organized as a multiple services bank (*institución de banca múltiple*) under the laws of Mexico. We have a growing retail network comprised of 46 branches, including 37 in the Mexico City metropolitan area, 3 in Monterrey, 3 in Cuernavaca, 2 in Guadalajara and 1 in Metepec (*Estado de México*), as of December 31, 2011. We provide financial services and products to individuals, corporations and state and municipal governments in Mexico. During the year ended December 31, 2011, our financial margin before provision for loan losses represented 75% of our total net operating revenues (as previously defined) excluding the provision for loan losses; and the non-interest income (as previously defined) plus other operating income, net, represented the 25% of our total net operating revenues excluding the provision for loan losses. We are also engaged in proprietary trading, including Mexican government and corporate debt instruments, foreign exchange and derivatives markets, and we provide brokerage services in connection with Mexican government and corporate debt instruments, foreign exchange and derivatives. Through our network, we also offer our customers insurance products, provided by RSA, and leasing products, provided by our affiliate, Sofom Mifel.

2011 Changes in Financial Presentation

During 2011 the CNBV issued new methodologies for rating mortgage and non-revolving consumer loans as well as loans granted to Mexican state and municipal governments. The change in methodologies was recognized prospectively and resulted in a decrease in the allowance for loan losses of Ps.7 million (of mortgage and non-revolving consumers loans) and of Ps.46 million (of commercial loans granted to Mexican state and municipal governments), as compared to the allowance for loan losses required in the month prior to the adoption of the new methodology. Consequently, our financial statements for the year ended 2011 are not comparable to our financial statements for the years ended 2010 and 2009. See Note 3(f) to the Financial Statements.

The CNBV also provided us with an accounting accommodation through statement number 100/012/2011 dated July 11, 2011, in accordance with the provisions of Article 175 of the General Rules for Banks, in connection with the corporate structuring process conducted to strengthen our operating and control framework. This accounting accommodation resulted in the direct recognition in retained earnings of certain commissions relating to loan structuring and professional services performed by us, which previously had been recognized in our statements of income during the years ended December 31, 2010 and 2009, and presentation of the corresponding amount within liabilities until earned under the criterion of the CNBV. The net effect of this accommodation was a charge to retained earnings during 2011 of Ps.83 million. Beginning in 2011, our policies for recognizing such commissions and professional services were modified accordingly and, as a result, our financial statements for the year ended 2011 are not comparable to our financial statements for the years ended 2010 and 2009. See Note 24 to the Financial Statements.

Critical Accounting Policies

We have identified certain key accounting policies on which our financial position and results of operations are dependent. These key accounting policies generally involve complex quantitative analyses or are based on subjective judgments or decisions. In the opinion of management, our most critical accounting policies under Mexican Banking GAAP are those related to the establishment of allowance for loan losses, valuation of securities and derivatives transactions. For a further description of our significant accounting policies, see the notes to our audited financial statements, which are included elsewhere in this offering memorandum.

Allowance for Loan Losses

The rules for the classification and rating of loan portfolios of Mexican banks and the creation of related reserves (the "Loan Classification and Rating Rules") set forth under the General Rules for Banks, provide a methodology to classify consumer loans (*i.e.*, credit cards and loans to individuals) considering delinquency periods, probability of payment and potential losses (taking into account collateral received), mortgage loans (*i.e.*, residential mortgages) considering delinquency periods, probability of payment and potential losses (taking into account collateral and guarantees received), and commercial loans based on an evaluation of the borrower's ability to repay its loan (including country risk, financial risk, industry risk and payment history) and an evaluation of the related collateral and guarantees. Based on this methodology, the percentage of required reserves is determined. Although the Loan Classification and Rating Rules also permit banks, subject to prior approval by the CNBV, to develop and adopt specific internal procedures within certain parameters to grade the loans in their portfolio, we follow the methodology set forth in the Loan Classification and Rating Rules.

Our allowance for loan losses is held in a separate account on our balance sheet (called allowance for loan losses) and all write-offs of uncollectible loans are charged against this account. Mexican banks are required to obtain authorization from their board of directors in order to write-off loans. In addition, Mexican banks are required to inform the CNBV after such write-offs have been recorded. The allowance for loan losses is an estimate and differences between the estimate and the actual loss will be reflected in our financial statements at the time of charge-off.

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

Our control methodology for loan losses is performed on a contract-by-contract basis, which allows us to separately identify a charge-off with respect to net income and compare the loan loss reserve balances for the current and prior year to determine whether write-offs should be recorded as a loan loss provision or treated as other income. The modified methodology allows us to optimize our tax benefits, subject to certain limits, since loan loss provisions are deductible.

Valuation of Securities and Derivatives Transactions

We reflect on our balance sheet certain assets and liabilities related to our securities and derivatives portfolios at their estimated fair value. Such amounts are based on either quoted market prices or estimated values derived by utilizing dealer quotes or internally generated modeling techniques. As market conditions change, adjustments to the fair value of these securities and derivatives transactions will be made to reflect the changed conditions. We believe that future sales of these securities will reflect the market conditions at the time but the price we receive may differ significantly from the estimated fair value reflected on our balance sheet.

Effects of Changes in Interest Rates

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

During the periods discussed below, the two primary benchmark market interest rates in Mexico were the annual interest rate paid in connection with primary offerings of 28-day *Cetes*, which are Mexican government peso-denominated treasury bills with 28-day maturities, and the Interbank Equilibrium Interest Rate ("TIIE"), a 28-day interbank lending rate.

Since 2008, Cetes and TIIE rates have fallen as a result of the expansive monetary policies of *Banco de México* as well as the credit crisis experienced globally. From 2009 to 2011 we have experienced a relative stability in the reference rates, reflecting the inflationary control of *Banco de México* and their timely monetary policies. Both the Cetes and TIIE rates reached their highest levels in 2008, averaging 7.75% and 8.28% respectively, according to *Banco de México*. During 2011, the Cetes and TIIE rates reached their lowest levels averaging 4.24% and 4.82%, respectively, according to *Banco de México*. During 2010, the interest rates for Cetes averaged 4.41% and the TIIE rate averaged 4.91%, according to *Banco de México*.

Average Interest Rates for Cetes and TIIE with 28-Day Maturities

Period	Average Interest Rates for *Cetes* with 28-Day Maturities[1]	Average Interest Rates for TIIE with 28-Day Maturities[2]
2007	7.20%	7.66%
2008	7.75%	8.28%
2009	5.43%	5.91%
2010	4.41%	4.91%
2011	4.24%	4.82%
January 2012	4.28%	4.79%
February 2012	4.35%	4.78%
March 2012	4.25%	4.77%
April 2012 (through April 27, 2012)	4.35%	4.74%

Source: *Banco de México*.

(1) Annual averages and monthly averages are based on daily average "on-the-run" 28 days Cetes provided by *Banco de México*.

(2) Annual averages and monthly averages are based on rates established at daily auctions.

Mexican Economic Environment

Annual GDP growth in Mexico in 2009, 2010 and 2011 was 6.10%, 5.50%, and 3.90%, respectively, and the unemployment rate was 5.53%, 4.94%, and 4.51% respectively, according to *Banco de México*. The Mexican economic environment impacts the demand for loans, in particular by real estate development companies and mortgagors, and the ability of our borrowers to repay the loans we provide. The Mexican unemployment rate impacts the ability of our customers to make deposits, and therefore our access to relatively less expensive funding.

Expansion of Branch Network

Between December 31, 2007 and December 31, 2011, we increased our branch network from 25 branches to 46, adding 3, 7 and 8 branches in 2009, 2010 and 2011, respectively. Through our expanding branch network, we have been able to increase our demand deposits, which have a relatively low interest rate, lowering our interest expense. The additional branches have also increased our non-interest expense as we have hired additional employees, entered into branch leases and expanded our marketing efforts. To date, we have not experienced a significant increase in loans through our expanded branch network, but we anticipate a future increase in loans as a result of our expanded branch network.

Results of Operations

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Financial Margin

Financial margin decreased to Ps.872 million for the year ended December 31, 2011 compared to Ps.903 million for the year ended December 31, 2010, a decrease of Ps.31 million, or 3.43%. This decrease was the net result of decreases in the average volume of government and agribusiness loans and decreased yield spreads.

Our average interest rate earned on interest-earning assets for the year ended December 31, 2011 was 7.73% and the average interest rate paid on interest-bearing liabilities was 5.16%, resulting in a yield spread of 2.57%. Our average interest rate earned on interest-earning assets for the year ended December 31, 2010 was 7.92% and the average interest rate paid on interest-bearing liabilities was 5.20%, resulting in a yield spread of 2.72%. This decrease in the yield spread for the year ended December 31, 2011 compared to the prior year was due to a shift in the mix of interest-earning assets toward loans that generate lower interest rates.

The following table sets forth the components of our financial margin for the period indicated:

	For the year ended December 31,	
	2010	2011
	(millions of pesos)	
Interest Income		
Interest on loan portfolio	Ps. 1,398	Ps. 1,285
Interest on investments in debt securities[1][4]	886	1,082
Interest on cash and due from banks[2]	34	49
Origination fees[3]	68	138
Other interest income (including net gain in valuation of margin accounts)	65	-
Total interest income	2,451	2,554
Interest Expenses		
Interest on deposits and funding	636	751
Interest on repurchase operations[5]	476	517
Interest of subordinated debentures	146	144
Interest on interbank loans and loans from other entities	287	204
Other interest expenses (including net loss in valuation of margin accounts)	3	66
Total interest expenses	1,548	1,682
Financial margin	Ps. 903	Ps. 872

(1) Interest on investments in debt securities primarily represents interests earned on trust certificates, which largely consist of securitized debt issued by trusts in connection with real estate development.

(2) Interest on cash and due from banks represents interest earned on deposit held by other banks, primarily with *Banco de México*, which are held to satisfy our reserve requirements.

(3) Origination fees received on loans represent fees generated in connection with the issuance, renewal, draw-down or prepayment of a loan that is recorded as interest income.

(4) Includes interest received from repurchase agreements of Ps.518 million and Ps.555 million in 2010 and 2011, respectively, which represent interest income on securities purchased pursuant to agreements to resell the securities.

(5) Interest expense on repurchase operations represents interest expense on securities sold under agreements to repurchase.

Interest Income

Our total interest income was Ps.2,554 million for the year ended December 31, 2011 compared to Ps.2,451 million for the year ended December 31, 2010, an increase of Ps.103 million, or 4.20%. This increase was mainly the result of an increase in our investments in debt securities.

Interest on our loan portfolio was Ps.1,285 million (or 50.31% of interest income) for the year ended December 31, 2011 compared to Ps.1,398 million (or 57.04% of interest income) for the year ended December 31, 2010, a decrease of Ps.113 million, or 8.08%, which resulted from lower fees recognized in connection with government loans in 2011 as compared to 2010. In the year ended December 31, 2011, the average balance of our performing loans was Ps.13,616 million and the average interest rate was 10.27%, compared to Ps.15,038 million and 9.62%, respectively, in the year ended December 31, 2010. The average balance of our loans decreased due to a reduction in volume of government and agribusiness loans.

Interest on investments in debt securities and repurchase operations was Ps.1,082 million (or 42.36% of interest income) for the year ended December 31, 2011 compared to Ps.886 million (or 36.15% of interest income) for the year ended December 31, 2010, an increase of Ps.196 million, or 22.12%. In the year ended December 31, 2011, the average balance of our debt securities and repurchase operations was Ps.16,862 million and the average interest rate was 6.42%, compared to Ps.12,919 million and 7.36%, respectively, in the year ended December 31, 2010.

Interest on cash and due from banks was Ps.49 million (or 1.92% of interest income) for the year ended December 31, 2011, compared to Ps.34 million (or 1.39% of interest income) for the year ended December 31, 2010, an increase of Ps.15 million, or 44.12%, due to a decrease in the average balance of U.S. dollar deposits in 2011 as compared to 2010. In the year ended December 31, 2011, the average balance of our cash and due from banks was Ps.1,981 million and the average interest rate was 2.46%, compared to Ps.2,596 million and 1.32%, respectively, in the year ended December 31, 2010. The decrease in average balance was primarily due to changes in the investment allocation of the proceeds of our Existing Notes (referred to as “outstanding subordinated debentures” in our Financial Statements), which resulted in a decrease in average balances but an increase in average interest rates. Average interest rates increased because of changes in the investment allocation of the proceeds of our Existing Notes, which resulted in a decrease in average balances but an increase in average interest rates.

Origination fees were Ps.138 million (or 5.40% of interest income) for the year ended December 31, 2011 compared to Ps.68 million (or 2.77% of interest income) for the year ended December 31, 2010, an increase of Ps.70 million, or 102.94%. This increase was primarily from professional services fees received in connection with loans granted to state and municipal governments, mainly in 2009 and 2010 that beginning in 2011, were recognized as origination fees over the terms of the loans. During the year ended December 31, 2011 we recognized professional services fees in connection with government loans granted in 2009 and 2010 in the amount of Ps.55 million plus the origination fees earned on government loans granted during 2011. In 2010 the professional fees received from such loans had been recognized in “Other operating income, net”.

Interest Expense

Interest expense was Ps.1,682 million for the year ended December 31, 2011 compared to Ps.1,548 million for the year ended December 31, 2010, an increase of Ps.134 million, or 8.66%. This increase was mainly the result of an increase in interest payments on demand accounts and time deposits, as well as the loss associated with foreign currency position valuations.

Interest expense on deposits was Ps.751 million (or 44.65% of interest expense) for the year ended December 31, 2011 compared to Ps.636 million (or 41.09% of interest expense) for the year ended December 31, 2010, an increase of Ps.115 million, or 18.08%. In the year ended December 31, 2011, the average balance of our interest bearing and non-interest bearing demand deposits was Ps.4,254 million and the average interest rate was 3.19%, compared to Ps.3,537 million and 2.77%, respectively, in the year ended December 31, 2010. The increase in interest expense on deposits was primarily due to the expansion of our branch network, new accounts opened and new customers. The average interest rate increased as a result of higher interest rates offered to new customers as part of our strategy.

Interest expense on repurchase operations was Ps.517 million (or 30.74% of interest expense) for the year ended December 31, 2011 compared to Ps.476 million (or 30.75% of interest expense) for the year ended December 31, 2010, an increase of Ps.41 million, or 8.61%. In the year ended December 31, 2011, the average balance of our repurchase obligations was Ps.8,901 million and the average interest rate was 5.81%, compared to Ps.7,848 million and 6.06%, respectively, in the year ended December 31, 2010. The interest expense of our repurchase operations increased due to an increase in the volume of corporate securities trading, while the average interest rate decreased in line with the TIIE rate.

Interest on subordinated debentures was Ps.144 million for the year ended December 31, 2011 compared to Ps.146 million for the year ended December 31, 2010, a decrease of Ps.2 million, or 1.37%. This decrease was primarily due to fluctuations in exchange rates related to our Existing Notes.

Interest on bank loans was Ps.204 million (or 12.13% of interest expense) for the year ended December 31, 2011 compared to Ps.287 million (or 18.54% of interest expense) for the year ended December 31, 2010, a decrease of Ps.83 million (or 28.92%), which resulted from a decrease in the average of interbank loans and loans from other entities and an increase in the average of demand deposits and time deposits as a result of new network branches.

Provisions

Provisions for loan losses charged against earnings were Ps.135 million for the year ended December 31, 2011 compared to Ps.284 million for the year ended December 31, 2010, representing a decrease of Ps.149 million. This decrease was primarily due to a reduction in the balance of government loans and the new loan rating methodology that took effect in 2011, which is based on an expected loss rather than the provisions incurred loss model. In addition, the allowance for loan losses as a percentage of non-performing loans decreased to 57.55% as of December 31, 2011 from 110.33% as of December 31, 2010, as a result of our use of the new methodology and the lower risk rating of the non-performing portfolio in 2011, as compared to 2010.

Total Net Commissions and fees and gain (loss) in brokerage operations

The following table sets forth the components of our commissions and fees and gain and loss in brokerage operations for the periods indicated:

	For the year ended December 31,	
	2010	2011
	(millions of pesos)	
Commissions and fees received		
Letters of credit	Ps. 4	Ps. 3
Account management	5	4
Trustee fees	37	41
Fund transfers	1	2
Safe deposit boxes	2	2
Other[(1)]	57	64
Total commissions and fees received	106	116
Commissions and fees paid	(49)	(49)
Net commissions and fees	57	67
Gain or (loss) in brokerage operations		
Valuation gain (loss)	(88)	57
Gain or loss from purchase/sale	64	110
Total gain (loss) in brokerage operations	(24)	167
Total Commission and brokerage operations	**Ps. 33**	**Ps. 234**

(1) Other commissions and fees includes commissions and fees charged for co-distribution of third party investment funds, and, to a lesser extent, commissions and fees related to our credit card business and options fees from the derivatives market.

Total commissions and fees received were Ps.116 million for the year ended December 31, 2011 compared to Ps.106 million for the year ended December 31, 2010, an increase of Ps.10 million, or 9.43%, primarily due to an increase of Ps.10 million in credit fees charged to customers for services that are not considered part of the origination fees.

Net commissions and fees earned were Ps.67 million for the year ended December 31, 2011, compared to Ps.57 million for the year ended December 31, 2010, an increase of Ps.10 million, or 17.54%, mainly due to the increase in total commissions and fees, as explained in the paragraph above.

Total gain (loss) in brokerage operations were Ps.167 million for the year ended December 31, 2011 compared to Ps.(24) million for the year ended December 31, 2010, an increase of Ps.191 million, or 795.83%. The increase is primarily due to a gain in sale and purchase of foreign currencies and the valuation of open foreign currency positions, which aggregated to Ps.161 million in 2011, resulting in an increase of Ps.176 million in a net gain from these transactions when compared to 2010. The increase previously mentioned was partially offset by an increased loss of Ps.22 million associated with derivatives transactions (realized and unrealized) in 2011 as compared to 2010.

Other operating income, Net

The net amount of other operating income and expenses resulted in net income of Ps.56 million for the year ended December 31, 2011, compared to Ps.284 million for the year ended December 31, 2010 representing a decrease of Ps.228 million or 80.28%. This decrease resulted from loan structuring fees and professional services rendered in connection with loans to state and municipal governments being recognized as liabilities in 2011, whereas such amounts were recognized as revenues in 2009 and 2010. See Note 24 to our Financial Statements. As previously mentioned, due to adjustments resulting from the

accounting accommodation explained in Note 24 of our Financial Statements, the decrease between periods would have been Ps.10 million rather than Ps.228 million.

Expenses

The following table sets forth the components of our expenses for the periods indicated:

	For the year ended December 31,	
	2010	2011
	(millions of pesos)	
Administrative and Promotional Expenses		
Salaries and employee benefits	Ps. 303	Ps. 360
Professional fees	81	101
Rental expenses	37	49
Promotional expenses	8	7
Non-deductible expenses	3	7
Taxes other than income taxes	61	98
Depreciation and amortization	29	32
Contribution to IPAB	85	90
Other administrative expenses[(1)]	119	182
Total	**Ps. 726**	**Ps. 926**

(1) Other administrative and promotional expenses are primarily comprised of repair and maintenance, telephone, insurance, mail and package delivery services and technology expenses.

Administrative and promotional expenses were Ps.926 million for the year ended December 31, 2011 compared to Ps.726 million for the year ended December 31, 2010, an increase of Ps.200 million, or 27.55%. The increase is due to the reasons explained below.

Salaries and employee benefits were Ps.360 million for the year ended December 31, 2011 compared to Ps.303 million for the year ended December 31, 2010, an increase of Ps.57 million, or 18.81%. This increase was primarily due to an increase in new employees as a result of new branches opened and overall growth of our business lines.

Professional fees paid were Ps.101 million for the year ended December 31, 2011 compared to Ps.81 million for the year ended December 31, 2010, an increase of Ps.20 million or 24.69%. This increase was due to an increase in the number of loan transactions, loan supervisors, legal staff and brokers.

Rental expenses were Ps.49 million for the year ended December 31, 2011 compared to Ps.37 million for the year ended December 31, 2010, an increase of Ps.12 million, or 32.43%. This increase was primarily the result of an increase in our number of branches and corporate and back offices, including additional space required in connection with the implementation of Project Evotec.

Taxes paid other than income taxes were Ps.98 million (or 10.58% of administrative and promotional expenses) for the year ended December 31, 2011 compared to Ps.61 million (or 8.40% of administrative and promotional expenses) for the year ended December 31, 2010, an increase of Ps.37 million, or 60.66%. This increase was primarily the result of an increase in the value added tax rate mandated under Mexican tax rules due to the implementation of Project Evotec.

Our contribution to IPAB was Ps.90 million (or 9.72% of administrative and promotional expenses) for the year ended December 31, 2011 compared to Ps.85 million (or 11.71% of administrative and promotional expenses) for the year ended December 31, 2010, an increase of Ps.5 million, or 5.88%. This increase was primarily the result of an increase in deposits and interbank funding. See “Supervision and Regulation – IPAB”.

Other administrative expenses were Ps.182 million for the year ended December 31, 2011 compared to Ps.119 million for the year ended December 31, 2010, an increase of Ps.63 million, or 52.94%. The increase was due to increases in the number of branches, activities in our various business lines, services to our clients and technology and communication expenses. For the year ended December 31, 2011, our costs increased by Ps.33 million in systems expenses, Ps.15 million in communication infrastructure expenses, Ps.4 million in travel expenses and Ps.15 million in electricity and diverse operations expenses.

Income Tax Expense (Benefit)

Current income tax expense was Ps.0 million for the year ended December 31, 2011 compared to Ps.42 million for year ended December 31, 2010 which represents a variation of 100.00%. This variation was mainly due to fiscal losses incurred in 2011. See Note 20 of the Financial Statements.

Deferred income tax benefit was Ps.(66) million for the year ended December 31, 2011 compared to Ps.(47) million for the year ended December 31, 2010, which represented an increase in deferred income tax benefit of Ps.19 million. This variation was mainly due to fiscal losses incurred in 2011 generated mainly by the effect of the reversal of loan structuring fees related to certain accounting accommodations. See Notes 20 and 24 of the Financial Statements.

Net Income

As a result of all of the above, net income was Ps.167 million for the year ended December 31, 2011 compared to Ps.215 million for 2010, a decrease of Ps.48 million, or 22.33%.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Financial Margin

Financial margin before gain was Ps.903 million for the year ended December 31, 2010 compared to Ps.521 million for the year ended December 31, 2009, an increase of Ps.382 million, or 73.32%. This increase was mainly the result of an increase in the average volume of and fees collected from government loans during 2010 and an increase in the yield spread.

Our average interest rate earned on interest-earning assets for the year ended December 31, 2010 was 7.92% and the average interest rate paid on interest-bearing liabilities was 5.20%, resulting in a yield spread of 2.72%. Our average interest rate earned on interest-earning assets for the year ended December 31, 2009 was 7.87% and the average interest rate paid on interest-bearing liabilities was 5.96%, resulting in a yield spread of 1.91%.

The following table sets forth the components of our financial margin for the years indicated.

	For the year ended ended December 31,	
	2009	2010
	(millions of pesos)	
Interest Income		
Interest on loans portfolio	Ps. 989	Ps. 1,398
Interest on investments in debt securities[(1)(4)]	873	886
Interest on cash and due from banks[(2)]	45	34
Origination fees[(3)]	40	68
Other interest income (including net gain in valuation of margin accounts)	3	65
Total interest income	1,950	2,451
Interest Expenses		
Interest on deposits and funding	400	636

	For the year ended ended December 31,	
	2009	2010
	(millions of pesos)	
Interest on repurchase operations[5]	623	476
Interest of subordinated debentures	156	146
Interest of bank loans and loans from other entities	247	287
Other interest expense (including net loss in valuation of margin accounts)	3	4
Total interest expenses	1,429	1,548
Financial margin	Ps. 521	Ps. 903

(1) Interest on debt securities primarily represents interests earned on trust certificates, which largely consist of securitized debt issued by trusts in connection with real estate development.

(2) Interest on cash and due from banks represents interest earned on deposit held by other banks, primarily with *Banco de México*, which are held to satisfy our reserve requirements.

(3) Origination fees on loans represents fees generated in connection with the issuance, renewal, draw-down or prepayment of a loan that is recorded as interest income.

(4) Includes interest income on repurchase operations of Ps. 666 million and Ps.518 million in 2009 and 2010, respectively, which represent interest income on securities purchased pursuant to agreements to resell the securities.

(5) Interest expense on repurchase operations represents interest expense on securities sold under agreements to repurchase.

Interest Income

Our total interest income was Ps.2,451 million for the year ended December 31, 2010 compared to Ps.1,950 million for the year ended December 31, 2009, an increase of Ps.501 million, or 25.69%. This increase was the result of an increase of growth of our loan portfolio, particularly interests in government loans.

Interest on loan portfolio was Ps.1,398 million (or 57.04% of interest income) for the year ended December 31, 2010 compared to Ps.989 million (or 50.72% of interest income) for the year ended December 31, 2009, an increase of Ps.409 million, or 41.35%. For the year ended December 31, 2010, the average balance and the average interest rate of our performing loans was Ps.15,038 million and 9.62%, respectively, compared to Ps.10,263 million and 9.91%, respectively, for the year ended December 31, 2009. The increase in the average interest rate was largely due to increased volume in government loans. The increase in average balances was due to our strategic increase in volume of agribusiness, commercial (including government) and factoring loans.

Interest on investments on debt securities was Ps.886 million (or 36.15% of interest income) for the year ended December 31, 2010 compared to Ps.873 million (or 44.77% of interest income) for the year ended December 31, 2009, an increase of Ps.13 million, or 1.49%. In the year ended December 31, 2010, the average balance of our debt securities was Ps.12,919 million and the average interest rate was 7.36%, compared to Ps.12,041 million and 7.25%, respectively, in the year ended December 31, 2009. The increase in the average balance of our debt securities reflected increased investment in trust certificates which have a higher spread than traditional certificates. The increase in the average interest rate was caused by the increased investment in trust certificates which have a higher interest rate than other debt securities.

Interest on cash and due from banks was Ps.34 million (or 1.39% of interest income) for the year ended December 31, 2010 compared to Ps.45 million (or 2.31% of interest income) for the year ended December 31, 2009, a decrease of Ps.11 million, or 24.44%. The decrease of interest income from cash and due from banks is due to the decrease in the TIIE rate. In the year ended December 31, 2010, the average balance of our cash and due from banks was Ps.2,596 million and the average interest rate was 1.32%, compared to Ps.2,212 million and 2.04%, respectively, in the year ended December 31, 2009. The increase in average balances of Ps 384 million is due to an increase in volume of dollar denominated mandatory deposits with Banco de México . The decrease in average interest rates was

largely due to a decrease in the TIIE rate and the fact that the deposit is in U.S. dollars rather than Pesos, resulting in a lower rate.

Origination fees were Ps.68 million (or 2.77% of interest income) for the year ended December 31, 2010 compared to Ps.40 million (or 2.05% of interest income) for the year ended December 31, 2009, an increase of Ps.28 million, or 70.00%. This increase was primarily the result of increased volume in commercial and government loans which typically have higher fees than other loans.

Interest Expense

Interest expense was Ps.1,548 million for the year ended December 31, 2010 compared to Ps.1,429 million for the year ended December 31, 2009, an increase of Ps.119 million, or 8.33%. This increase was the result of an increase in interest payments on debit accounts and time deposits, as well as an increase in banking loans, which was offset by a decrease in interest on repurchase operations.

Interest expense on deposits and funding was Ps.636 million (or 41.09% of interest expense) for the year ended December 31, 2010 compared to Ps.400 million (or 27.99% of interest expense) for the year ended December 31, 2009, an increase of Ps.236 million, or 59.00%. In the year ended December 31, 2010, the average balance of our interest bearing and non-interest bearing demand deposits was Ps.3,537 million and the average interest rate was 2.77%, compared to Ps.2,659 million and 3.31%, respectively, in the year ended December 31, 2009. The increase in the average balance was primarily due to an increases in time deposits, treasury notes, and deposits related to trust certificates and the general growth of our loan portfolio. The average interest rate decreased in line with the decrease in the TIIE rate.

Interest expense on repurchase operations was Ps.476 million (or 30.75% of interest expense) for the year ended December 31, 2010 compared to Ps.622 million (or 43.53% of interest expense) for the year ended December 31, 2009, a decrease of Ps.146 million, or 23.47%. In the year ended December 31, 2010, the average balance of our repurchase obligations and the average interest rate was Ps.7,848 million and 6.06%, respectively, compared to Ps.9,336 million and 6.67%, respectively, in the year ended December 31, 2009. The average balance of repurchase obligations decreased due to decreased trading of corporate securities. The decrease in average interest rates is due to a decrease in the TIIE rate.

Interest of subordinated debentures was Ps.146 million for the year ended December 31, 2010 compared to Ps.156 million for the year ended December 31, 2009, a decrease of Ps.10 million, or 6.41%. The decrease was primarily due to fluctuations in exchange rates related to our Existing Notes.

Interest on bank loans was Ps.287 million (or 18.56% of interest expense) for the year ended December 31, 2010 compared to Ps.247 million (or 17.28% of interest expense) for the year ended December 31, 2009, an increase of Ps.40 million (or 16.19%). The increase was due to the increase in the volume of our agribusiness loan portfolio and factoring loan portfolio, which uses this kind of funding.

Provisions

Provisions for loan losses charged against earnings were Ps.284 million for the year ended December 31, 2010 compared to Ps.154 million for the year ended December 31, 2009, an increase of Ps.130 million, or 84.42%. The increase in provisions for loan losses was mainly due to an increase in the loan portfolio balance as of December 31, 2010, as compared to previous year. The allowance for loan losses as a percentage of non-performing loans increased to 110.33% at December 31, 2010 from 105.38% on December 31, 2009. The increase in the ratio of allowance for loan losses to non performing loans also reflected the increase in the loan portfolio balance during 2010 as compared to 2009.

Total Net Commissions and fees and gain (loss) in brokerage operations

The following table sets forth the components of our commissions and fees and gain and loss in brokerage operations for the periods indicated:

	For the year ended December 31,	
	2009	2010
	(millions of pesos)	
Commissions and Fees		
Letters of credit	Ps. 4	Ps. 4
Account management	4	5
Trustee fees	34	37
Funds transfer	2	1
Safe deposit boxes	2	2
Other	47	57
Total commissions and fees received	93	106
Commissions and fees paid	(48)	(49)
Net Commissions and fees	45	57
Gain or (loss) in brokerage operations		
Valuation of gain (loss)	12	(88)
Gain or loss from purchase/sale	54	64
Total gain (loss) in brokerage operations	66	(24)
Total commissions and brokerage operations	Ps. 111	Ps. 33

(1) Other commissions and fees includes commissions and fees charged for point of sale terminals ("POS"), electronic banking and branches services.

Total commissions and fees received were Ps.106 million for the year ended December 31, 2010 compared to Ps.93 million for the year ended December 31, 2009, an increase of Ps.13 million, or 13.98%, mainly due to the increase in our customers base due to the opening of new branches resulting in an increase of Ps.4 million in commissions from branch services in 2010 as compared to 2009, an increase of Ps.5 million of commissions for credit operations in 2010 as compared to 2009 and higher trust fees of Ps.4 million.

Commissions and fees paid were Ps.49 million for the year ended December 31, 2010 compared to Ps.48 million for the year ended December 31, 2009, an increase of Ps.1 million, or 2.08%.

Net commissions and fees earned were Ps.57 million for the year ended December 31, 2010 compared to Ps.45 million for the year ended December 31, 2009, an increase of Ps.12 million, or 29.55%, mainly due to an increase in commissions and fees on POS, electronic banking and branch services.

Total gain (loss) in brokerage operations was Ps.(24) million for the year ended December 31, 2010 compared to Ps.66 million for the year ended December 31, 2009, a decrease of Ps.(90) million, or 136.36%. This decrease was primarily due to unrealized losses in the valuation of derivative financial instruments of Ps.15 million and of foreign exchange positions in the amount of Ps.63 million, which were largely offset by realized gains on trading of securities of Ps.28 million and gains in foreign currency trading in the amount of Ps.48 million, compared to realized gains on trading of securities of Ps.20 million and gain in foreign currency trading of Ps.29 million, in 2009.

Other operating income, Net

The net amount of other operating income resulted in a net other operating income of Ps.284 million for the year ended December 31, 2010 compared to Ps.151 million for the year ended December 31, 2009, an increase of Ps.133 million, or 88.08%. This increase was primarily the result of an increase in loan structuring services provided to the Mexican government in 2010. In 2010 and 2009 we recorded Ps.163 million and Ps.28 million in loan structuring services for the Mexican government, respectively. During 2011, part of the commissions related to loan structuring services provided to the Mexican government were reclassified directly to retained earning as part of the special accounting accommodations required by the CNBV. See Note 24 of the Financial Statements.

Expenses

The following table sets forth the components of our administrative and promotional expenses for the periods indicated:

	For the year ended December 31,	
	2009	2010
	(millions of pesos)	
Administrative and Promotional Expenses		
Salaries and employee benefits	Ps. 241	Ps. 303
Professional fees	46	81
Rental expenses	33	37
Promotional expenses	6	8
Non-deductible expenses	3	3
Taxes other than income taxes	46	61
Depreciation and amortization	28	29
Contribution to IPAB	57	85
Other administrative expenses [(1)]	100	119
Total	Ps. 559	Ps. 726

(1) Other administrative and promotional expenses are primarily comprised of repair and maintenance, telephone, insurance, mail and package delivery services and technology expenses.

Administrative and promotional expenses were Ps.726 million for the year ended December 31, 2010 compared to Ps.559 million for the year ended December 31, 2009, an increase of Ps.167 million, or 29.87%. The increase is due to the reasons mentioned below.

Salaries and employee benefits were Ps.303 million for the year ended December 31, 2010 compared to Ps.241 million for the year ended December 31, 2009, an increase of Ps.62 million or 25.73%. This increase was primarily due to an increase in employees as a result of new branches opened and the overall growth of our business lines.

Professional fees were Ps.81 million for the year ended December 31, 2010 compared to Ps.46 million for the year ended December 31, 2009, an increase of Ps.35 million or 76.09%. This increase was primarily due to an increase in the number of loan transactions, loan supervisors and brokers.

Rental expenses were Ps.37 million for the year ended December 31, 2010 compared to Ps.33 million for the year ended December 31, 2009, an increase of Ps.4 million or 12.12%. This increase was primarily due to an increase in the number of branches and corporate and back offices, including additional space required in connection with the implementation of Project Evotec.

Taxes other than income taxes were Ps.61 million (or 8.40% of administrative and promotional expenses) for the year ended December 31, 2010 compared to Ps.46 million (or 8.23% of administrative

and promotional expenses) for the year ended December 31, 2009, an increase of Ps.15 million, or 32.61%. This increase was primarily the result of an increase in the value added tax rate due to the implementation of Project Evotec as mandated under Mexican tax rules.

Our contribution to IPAB was Ps.85 million (or 11.71% of administrative and promotional expenses) for the year ended December 31, 2010 compared to Ps.57 million (or 10.20% of administrative and promotional expenses) for the year ended December 31, 2009, an increase of Ps.28 million, or 49.12%. This increase was primarily the result of an increase in deposits and interbank funding. See "Supervision and Regulation – IPAB".

Other administrative expenses were Ps.119 million (or 16.39% of administrative and promotional expenses) for the year ended December 31, 2010 compared to Ps.100 million (or 17.89% of administrative and promotional expenses) for the year ended December 31, 2009, an increase of Ps.19 million, or 19.00%. The increase was due to an increase in branches, activities in our various business lines, services to our clients and technology and communication expenses. For the year ended December 31, 2010 our costs increased by Ps.4 million in facilities expenses to open new branches, Ps.4 million in systems expenses, Ps.4 million in communications infrastructure expenses and Ps.4 million in electricity and diverse operations expenses.

Income Tax Expense (benefit)

Current income tax expense was Ps.42 million for the year ended December 31, 2010 compared to Ps.13 million for the year ended December 31, 2009, which represents a 223.08% increase. This increase was mainly due to a 200.00% increase in the net income before taxes in 2010 with respect to 2009. During 2010, the legal income tax rate was 30% as compared to 28% in 2009.

Deferred income tax expense (benefit) was Ps.(47) million for the year ended December 31, 2010 compared to Ps.0 million for the year ended December 31, 2009, representing an increase of Ps.47 million, or 100.00%, primarily due to higher a provision for loan losses recognized during 2010 as compared to the provision recognized during 2009 (Ps.284 million and Ps.154 million in 2010 and 2009, respectively). During 2010 the provision was not entirely deductible for tax purposes as it was higher than the maximum amount allowed as a tax deduction, while during 2009 the provision was fully deductible.

Net Income

As a result of the above, net income was Ps.215 million for year ended December 31, 2010 compared to Ps.57 million for 2009, an increase of Ps.158 million, or 277.19%.

Liquidity and Funding

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

Our principal sources of funding are (1) customer deposits, which are highly concentrated in interest-bearing demand deposits, (2) loans provided by government development banks such as NAFIN for the SME loans and FIRA for the agribusiness loan portfolio, (3) repurchase agreements and (4) interbank loans, which are mostly occasional overnight call money for funding requirements. Our customer deposits are sourced mainly through our branch network and are our less expensive source of funding.

Our management expects that cash flow from operations and other sources of liquidity, including the net proceeds of this offering, will be sufficient to meet our liquidity requirements over the next 12 months, including our expected 2012-2013 capital expenditures.

As of December 31, 2011, total interest-bearing liabilities denominated in dollars amounted to Ps.655 million, or U.S.$45.9 million, representing 3.13% of our total funding. The sources of such funds as of December 31, 2011 were as follows: 13.65% from checking accounts, 45.73% from retail time deposits and 12.60% from bank and other entities loans.

The following table sets forth the annual average balances of our peso-denominated and dollar-denominated sources of funding for the period ended December 31, 2011:

	2011 Average Volume			
	Peso-denominated	Dollar-denominated	Total	%of Total Funding
	(millions of pesos, except for percentages)			
Deposits:				
Checking accounts	4,033	221	4,253	13.65%
Retail time deposits	13,631	617	14,248	45.73%
Repurchase agreements	8,728	-	8,728	28.01%
Bank and other entities loans	3,819	106	3,926	12.60%
Total	30,211	944	31,155	100.00%

Mexican banks are not currently subject to funding limits, but are required to diversify their risk. Under the General Rules for Banks, if a deposit with or a loan made to Mexican banks by a single person or group of persons, exceeds 100% of the bank's Tier 1 capital, then the bank is required to notify the CNBV the business day following the date on which such excess occurs and the CNBV may order a reduction of the relevant liabilities. None of our liabilities to a person or group of persons exceeds the 100% limit.

See “Supervision and Regulation—Reserve Requirements and Liquidity Coefficients—Foreign Currency-Denominated Liabilities” for a discussion of Mexican regulations that specify limits and liquidity requirements with respect to our foreign denominated liabilities (including dollars).

Capital

Stockholders' Equity

Our stockholders' equity is comprised of capital stock, capital reserves, income earned on non-monetary assets, deficits with respect to equity restatements and retained earnings. As of December 31, 2011, our stockholders' equity was Ps.1,389 million (U.S.$99.5 million), an increase of Ps.87.0 million from Ps.1,302 million as of December 31, 2010. Our ratio of stockholders' equity to total assets was 3.6% as of December 31, 2011 and 3.6% as of December 31, 2010.

Total stockholders’ equity increased as of March 31, 2012 from December 31, 2011. See “Summary – Recent Developments – First Quarter 2012 Results”.

Risk-Weighted Capital

Pursuant to the Mexican Capitalization Rules, we are required to maintain specified levels of net capital on an unconsolidated basis as a percentage of market, credit and operational risk that shall not be less than the amount obtained by adding the capital requirements for these types of risks. The Mexican Capitalization Rules set forth the methodology to determine the net capital required relative to market risk and risk-weighted assets. See “Supervision and Regulation—Capitalization.” Those regulations provide that (i) our investment in subsidiaries that are related to us in accordance with Article 73 of the Mexican Banking Law, (ii) our investment in subsidiaries that do not operate in the financial sector, and (iii) revaluation surpluses related to the investments referred to in (i) and (ii) above, must be subtracted from the calculation of Tier 1 capital. The minimum Capital Ratio required by the Mexican Capitalization Rules in order not to be required to defer or cancel interest payments or defer principal payments of our

subordinated debt that qualifies to be computed as part of our total net capital, such as the Notes, is 10%. As of December 31, 2011, our capital ratio was 13.05%.

The tables below present our risk-weighted assets and Capital Ratios as of December 31, 2011, December 31, 2010 and December 31, 2009, determined, as required by regulations, on a consolidated basis.

	As of December 31,			
	2009	2010	2011	2011
	(millions of pesos, except percentages)			(U.S.$)
Capital				
Tier 1	1,013	1,118	1,050	75
Tier 2	1,013	1,118	1,050	75
Total capital	1,013	2,236	2,100	150
Risk-Weighted Assets				
Credit risk	7,836	10,511	11,821	848
Market risk	3,628	3,258	2,639	189
Operational risk	600	1,195	1,625	117
Credit, market and operational risk	12,064	14,964	16,084	1,154
Capital Ratios (credit, market and operational risk)				
Tier 1 capital to risk-weighted assets	8.39 %	7.47 %	6.53 %	6.53 %
Tier 2 capital to risk-weighted assets	8.39 %	7.47 %	6.53 %	6.53 %
Total capital to risk-weighted assets	16.79 %	14.94 %	13.05 %	13.05 %

Our total loan portfolio is dependent in part on our capital. We expect a continued asset expansion as well as a trend toward higher capital requirements in the future, an increase in capital through the contribution of new shareholders, the issuance of medium-term debt that qualifies as regulatory capital and we intend to use a significant portion of the possible retention of profits to support the growth of our credit portfolio.

SELECTED STATISTICAL INFORMATION

Assets and liabilities in this section have been classified by currency, because most of our operations are effected in Mexico or on behalf of Mexico's residents and in pesos or dollars. The following unaudited information is included for analytical purposes and should be read and analyzed with our financial statements included elsewhere in this offering memorandum and with the “Management's Discussion and Analysis of Financial Condition and Results of Operations”. This information has been prepared based on our financial records, which are prepared in accordance with Mexican Banking GAAP.

Except as otherwise indicated balance sheet and income statement items in the following tables are presented in millions of pesos at December 31, 2011.

Average Balance Sheet and Nominal Interest Rate Data

Peso- and U.S. Dollar-Denominated Average Balances, Interest Income (Expense) and Nominal Interest Rates. The average balances of interest earning assets and interest bearing liabilities are calculated on monthly basis. Average balances have been separated between those denominated in pesos and those denominated in U.S. dollars. Dollars have been translated into pesos using the applicable interbank exchange rate as authorized by the CNBV for accounting purposes as of the corresponding dates. Interest income (expense) for the year is the sum of the total income (expense) for the twelve months so determined.

Average yield rate is the amount of interest earned or accrued during the period divided by the related average balance.

The following tables show our average balance, accrued interest and nominal interest rates on interest-earning assets and on interest-bearing liabilities, analyzed by currency of denomination for the years ended December 31, 2009, 2010 and 2011.

Rates Earned On Interest Earning Assets

	Year ended December 31, 2009			Year ended December 31, 2010			Year ended December 31, 2011		
	Average Balance	Interest earned	Average Yield Rate	Average Balance	Interest earned	Average Yield Rate	Average Balance	Interest earned	Average Yield Rate
Assets				(Millions of pesos, except for percentages)					
Interest-earning deposits in Banco Mexico and other banks	2,212	45	2.04%	2,596	34	1.32%	1,981	49	2.46%
Pesos	882	44	5.03%	893	33	3.74%	1,242	47	3.82%
Dollars	1,330	1	0.06%	1,703	1	0.05%	740	1	0.17%
Investment in securities [3]	12,041	873	7.25%	12,919	951	7.36%	16,862	1,083	6.42%
Pesos	12,041	873	7.25%	12,919	951	7.36%	16,862	1,083	6.42%
Performing loans[1]	10,263	1,017	9.91%	15,038	1,447	9.62%	13,616	1,398	10.27%
Pesos	9,914	997	10.06%	14,714	1,430	9.72%	13,206	1,377	10.43%
Dollars	350	20	5.72%	324	18	5.41%	409	21	5.08%
Non-performing loans [2]	265	15	5.70%	399	19	4.75%	590	25	4.27%
Pesos	265	15	5.70%	399	19	4.75%	590	25	4.27%
Total interest-earning assets	24,781	1,950	7.87%	30,952	2,451	7.92%	33,049	2,554	7.73%
Pesos	23,101	1,929	8.35%	28,925	2,433	8.41%	31.900	2.532	7.94%
Dollars	1,680	21	1.23%	2,027	18	0.91%	1,149	22	1.92%
Allowance for loan losses	(255)	-	-	(459)	-	-	(446)	-	-
Pesos	(253)	-	-	(457)	-	-	(444)	-	-
Dollars	(2)	-	-	(2)	-	-	(3)	-	-
Cash	36	-	-	48	-	-	67	-	-
Pesos	24	-	-	31	-	-	54	-	-
Dollars	12	-	-	17	-	-	12	-	-
Property, furniture and equipment, net	149	-	-	155	-	-	198	-	-
Pesos	149	-	-	155	-	-	198	-	-
Equity investment	-	-	-	-	-	-	-	-	-
Pesos	-	-	-	-	-	-	-	-	-
Other assets, net	541	-	-	954	-	-	2,006	-	-
Pesos	539	-	-	947	-	-	1,996	-	-
Dollars	2	-	-	6	-	-	10	-	-
Total non-interest-earning assets	471	-	-	698	-	-	1,825	-	-
Total assets									
Pesos	23,560	1,929	8.19%	29,602	2,433	8.25%	33,705	2,532	7.51%
Dollars	1,692	21	1.22%	2,049	18	0.90%	1,169	22	1.89%
Total	25,252	1,950	7.72%	31,650	2,451	7.75%	34,874	2,554	7.32%

(1) Interest earned includes fees on loans of Ps.40 million in 2009, Ps.68 million in 2010, Ps.138 million in 2011, on a current basis. Origination fees are deferred and amortized over the term of the loan using the straight-line method.

(2) The interest included is this line item does not correspond to interest earned after being classified as non-performing. It relates to the interest earned prior to such classification. Once a loan is considered non-performing, accrual of interest is suspended and the interest is recorded in memorandum accounts. When those loans were considered performing while in past due status (as required by Mexican Banking GAAP), the bank accrued for the interest earned. The interest that was recognized prior to the non-performing classification is considered in the allowance for loan losses until there is evidence of sustained payment.

(3) Includes interest earned in repurchase and resale agreement of Ps.666 million, Ps.518 million and Ps.555 million in 2009, 2010 and 2011, respectively.

Rates Paid on Interest Bearing Liabilities

	Year ended December 31, 2009			Year ended December 31, 2010			Year ended December 31, 2011		
	Average Balance	Interest paid	Average Yield Rate	Average Balance	Interest paid	Average Yield Rate	Average Balance	Interest paid	Average Yield Rate
	(Millions of pesos, except for percentages)								
Liabilities and Stockholders Equity									
Interest-bearing demand deposits	2,659	88	3.31%	3,537	98	2.77%	4,254	136	3.19%
Pesos	2,659	88	3.31%	3,537	98	2.77%	4,254	136	3.19%
Time deposits	6,108	312	5.10%	11,425	537	4.70%	14,248	615	4.32%
Pesos	5,635	307	5.45%	10,814	531	4.91%	13,631	609	4.47%
Dollars	474	5	0.98%	611	6	1.02%	617	6	1.00%
Interbank loans and loans from other entities[2]	4,504	250	5.56%	5,705	291	5.09%	3,926	271	6.89%
Pesos	4,212	236	5.61%	5,530	279	5.04%	3,819	261	6.83%
Dollars	292	14	4.88%	175	12	6.87%	106	10	8.99%
Creditors under agreements to repurchase [1]	9,336	623	6.67%	7,848	476	6.06%	8,901	517	5.81%
Pesos	9,336	623	6.67%	7,848	476	6.06%	8,901	517	5.81%
Outstanding Subordinated debenture	1,373	156	11.38%	1,279	146	11.40%	1,261	144	11.39%
Dollars	1,373	156	11.38%	1,279	146	11.40%	1,261	144	11.39%
Total interest-bearing liabilities	23,981	1,429	5.96%	29,794	1,548	5.20%	32,589	1,682	5.16%
Pesos	21,842	1,254	5.74%	27,729	1,384	4.99%	30,605	1,523	4.98%
Dollars	2,139	175	8.19%	2,065	164	7.94%	1,984	159	8.03%
Other non-interest liabilities	291	-	-	715	-	-	938	-	-
Pesos	247	-	-	675	-	-	912	-	-
Dollars	44	-	-	40	-	-	26	-	-
Stockholders' equity less mandatory convertible debt	980	-	-	1,141	-	-	1,347	-	-
Pesos	1,010	-	-	1,141	-	-	1,414	-	-
Dollars	(30)	-	-	-	-	-	(67)	-	-
Sub-total	1,271	-	-	1,856	-	-	2,285	-	-
Total liabilities and stockholders' equity									
Pesos	23,099	1,254	5.43%	29,545	1,384	4.68%	32,931	1,523	4.62%
Dollars	2,153	175	8.14%	2,105	164	7.79%	1,943	159	8.20%
Total	25,252	1,429	5.66%	31,650	1,548	4.89%	34,874	1,682	4.82%

(1) During 2009, 2010 and 2011, the balances in the “Debtors under agreement to repurchase” account and in the “Creditors under agreements to repurchase” are offset when the net balance resulted in a net liability position, which was presented in this line item.

(2) Includes short and long term interbank loans and loans from other entities.

Asset and Liability Management

Our policy on asset and liability management is to maximize our net interest income and return on assets and equity, while providing adequate liquidity, capital and effective risk management. Our Assets Committee decides funding strategies, sets interest rate levels and terms for both assets and liabilities (in pesos and dollars), and makes decisions regarding maturities and pricing of assets and liabilities. Our Assets Committee meets on a weekly basis, at which times interest rates for assets and liabilities are established.

Credit Policies

We have designed lending policies based on our portfolio strategies, subscription, management powers, supervision, types of credits, specific acceptance criteria and risk rating. There must be an adequate diversification by sector, borrowers, related borrowers, groups of borrowers, maturities and currencies.

We do not enter into speculative transactions. We offer commercial-bank credits (pledge loans, charge account credits and secured loans), government agency supported loans and infrastructure loans. The maximum maturity of the loans we offer is 10 years; we may, however, subject to the approval of our Credit Committee, offer loans with a maturity of up to 20 years.

Our decision to offer a loan to a certain borrower is based primarily on the repayment capacity of such borrower. Guarantees are considered as an additional factor in the credit approval process and we do not lend solely on the basis of guarantees.

The prices at which we lend are consistent with the rate of return necessary to cover expected and non-expected risk, provisions, costs and profits. Although we do not determine our margin requirements based exclusively on market rates, we also determine the margins based on the particular rating of each credit.

Our Credit Committee is in charge of the credit approval process. The Credit Committee is composed of members of risk and credit areas and by members of other areas with experience in these areas. See “Management—Credit Committee.”

Rollover Policies

In the case of revolving loans, the line of credit and the corresponding agreement would be in effect for a period of up to three years, and the loans withdrawn from the lines of credit would usually have a maximum revolving term of 180 days. Other maximum terms may be available in case the line of credit is guaranteed by a pledge over cash or over investments. These lines of credit and their agreements are revised annually by the relevant Credit Committee.

Interest-earning assets - Yield and Yield Spread Earning

The following table analyzes by currency of denomination, our levels of total average earning assets and net interest income and illustrates the comparative gross and net yields and yield spread obtained for the years ended December 31, 2009, 2010 and 2011. For purposes of this presentation, all of our loan fees are recognized at the time the related loan is made.

	Year ended December 31,		
	2009	2010	2011
	(Millions of pesos, except for percentages)		
Total average interest-earning assets[1]			
Pesos	23,101	28,925	31,900
Dollars	1,680	2,027	1,149
Total	24,781	30,952	33,049
Including loan fees:			
Net interest income			
Pesos	676	1,049	1,010
Dollars [5]	(154)	(146)	(137)
Total	521	903	872
Nominal gross yield [2]			
Pesos	8.35%	8.41%	7.94%
Dollars	1.23%	0.91%	1.92%
Weighted average rate	7.87%	7.92%	7.73%
Nominal net yield [3]			
Pesos	2.92%	3.63%	3.17%
Dollars	(9.19)%	(7.18)%.	(11.94)%
Weighted average rate	2.10%	2.92%	2.64%
Nominal yield spread [4]			
Pesos	2.61%	3.42%	2.96%
Dollars	(6.96)%	(7.03)%	(6.11)%
Weighted average rate	1.91%	2.72%	2.57%
Not Including loan fees:			
Net interest income			
Pesos	636	981	872
Dollars [5]	(154)	(146)	(137)
Total	481	835	735
Nominal gross yield[2]			
Pesos	8.18%	8.17%	7.51%
Dollars	1.23%	0.91%	1.92%
Weighted average rate	7.71%	7.70%	7.31%
Nominal net yield[3]			
Pesos	2.75%	3.39%	3.17%
Dollars	(9.19)%	(7.18)%	(11.94)%
Weighted average rate	1.94%	2.70%	2.22%
Nominal yield spread [4]			
Pesos	2.44%	3.18%	2.53%
Dollars	(6.96)%	(7.03)%	(6.11)%
Weighted average rate	1.75%	2.50%	2.15%

(1) Total average interest-earning assets includes creditors and debtors under agreements to repurchase, as well as derivative financial instruments, each on a net basis.

(2) Gross yield represents interest income divided by interest-earning assets annualized.

(3) Net yield represents the total of net interest income (i.e., interest earned minus interest paid) divided by average earning assets.

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

(5) The negative net margin of interests earned, minus dollar denominated interests paid, arising from payment of our Existing Notes.

Changes in Interest Income and Interest Expense – Volume and Rate Analysis

The following table allocates, by currency of the underlying asset or liability, changes in interest income and interest expenses between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective average yield/rate for (i) the fiscal year ended December 31, 2011 compared with the fiscal year ended December 31, 2010; and (ii) the fiscal year ended December 31, 2010, compared with the fiscal year ended December 31, 2009. Differences related to rate and volume are allocated proportionally to the rate variance and the volume variance, respectively.

Interest-earning assets

	2009/2010			2010/2011		
	Increase (Decrease) due to changes in			Increase (Decrease) due to changes in		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	(Millions of pesos)					
Interest-earning deposits in *Banco de México* and other Banks:						
Pesos	1	(12)	(11)	13	1	14
Dollars	-	-	-	-	-	-
Sub-total	1	(12)	(11)	13	1	14
Mexican government securities:	-	-	-	-	-	-
Pesos	-	-	-	-	-	-
Investment Securities [1]:	64	14	78	290	(159)	131
Pesos	64	14	78	290	(159)	131
Performing loans:						
Pesos	483	(50)	433	(146)	94	(52)
Dollars	(1)	(1)	(2)	4	(1)	3
Sub-total	482	(51)	431	(142)	93	(49)
Non-performing loans:						
Pesos	8	(4)	4	9	(3)	6
Dollars	-	-	-	-	-	-
Sub-total	8	(4)	4	9	(3)	6
Total interest-earning assets:						
Pesos	556	(52)	504	166	(67)	99
Dollars	(1)	(1)	(2)	4	(1)	3
Total	555	(53)	502	170	(68)	102

(1) Includes interest earned in repurchase and sale agreement.

Interest-Bearing Liabilities

	2009/2010			2010/2011		
	Increase (Decrease) due to changes in			Increase (Decrease) due to changes in		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	(Millions of pesos)					
Interest-bearing demand deposits :						
Pesos	29	(19)	10	20	18	38
Dollars	-	-	-	-	-	-
Sub-total	29	(19)	10	20	18	38
Time Deposits:						
Pesos	282	(58)	224	138	(61)	77
Dollars	1	-	1	-	-	-
Sub-total	283	(58)	225	138	(61)	77
Interbank loans and loans from other entities:						
Pesos	74	(32)	42	(86)	69	(17)
Dollars	(6)	3	(3)	(5)	2	(3)
Sub-total	68	(29)	39	(91)	71	(20)
Creditors under agreements to repurchase:						
Pesos	(99)	(47)	(146)	64	(23)	41
Dollars	-	-	-	-	-	-
Sub-total	(99)	(47)	(146)	64	(23)	41
Outstanding Subordinated Debentures						
Dollars	(11)	-	(11)	(2)	-	(2)
Total interest-bearing liabilities	-	-	-	-	-	-
Total liabilities:						
Pesos	286	(156)	130	136	3	139
Dollars	(16)	3	(13)	(7)	2	(5)
Sub-total	270	(153)	117	129	5	134

Return on Equity and Assets

	Year ended December 31,		
	2009	2010	2011
	(Millions of pesos, except for percentages)		
Net Income[3]	57	215	167
Average total assets[1][3]	25,252	31,650	34,874
Average stockholders' equity[1]	980	1,141	1,347
Net income as a percentage of:			
Average total assets	0.23%	0.68%	0.48%
Average stockholders' equity	5.81%	18.85%	12.40%
Average stockholders' equity as percentage of average total assets	3.88%	3.60%	3.86%

(1) Based on average balances for each year.
(2) Ratios and percentages are calculated on an annualized basis.
(3) Includes creditors and debtors under agreements to repurchase, as well as derivative financial instruments, each on a net basis.

Interest Rate Sensitivity of Assets and Liabilities

Interest Rates

Banco de México's regulations mandate that Mexican banks base their floating interest rates on commercial and mortgage loans on a single reference rate published regularly by official or market-driven sources and that the agreements for such loans specify the factor used to determine the interest rate and the minimum and maximum spread over the reference rate. We generally base the floating interest rate on all of our new peso-denominated loans on the TIIE. See “Supervision and Regulation – Rules on Interest Rates.”

In accordance with *Banco de México*'s regulations, our policy with respect to non-peso lending activities, mainly in dollars, is to price such loans generally on LIBOR or a fixed rate basis. Spreads over LIBOR are determined in accordance with our marginal cost of funding in currencies other than pesos. Under *Banco de México*'s regulations, a portion of our non-peso liabilities must be invested in certain dollar-denominated, low-risk, highly liquid instruments and deposits. See “Supervision and Regulation— Reserve Requirements and Liquidity Coefficients.”

Interest Rate Sensitivity

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

The following table reflects our interest-earning assets and interest-bearing liabilities at December 31, 2011. Fixed-rate instruments were classified in this table according to their final maturity and other instruments according to their time of repricing.

	At December 31, 2011					
	0 - 30 Days	31 - 90 Days	91 - 180 Days	181 - 365 Days	Non-Rate Sensitive or Over One Year	Total
Assets:						
Variable-rate commercial loans	762	2,163	801	441	8,403	12,570
Consumer and mortgage loans	-	-	1	4	960	965
Fixed-rate commercial loans	21	33	48	42	78	222
Total loan portfolio	783	2,196	850	487	9,441	13,757
Securities and investments	22,969	-	-	-	6	22,975
Total interest-earning assets	23,752	2,196	850	487	9,447	36,732
Equity securities	-	-	-	-	-	-
Cash-property and other non-interest earning assets	417	-	-	-	1,432	1,849
Less: Allowance for loan losses	5	19	9	11	322	366
Total assets	24,164	2,177	841	476	10,557	38,215
Liabilities and Stockholders' Equity:						
Demand deposits	3,437	-	-	-	-	3,437
Time deposits	3,054	7,733	6,413	32	197	17,429
Total deposits	6,491	7,733	6,413	33	197	20,866
Short-term debt [1]	835	894	7	140	843	2,719
Long-term debt [2]	430	-	-	-	336	766
Outstanding Subordinated debentures	-	-	-	-	1,424	1,424
Creditors under agreements to repurchase and derivative financial instruments	9,727	-	-	-	-	9,727
Other non-interest bearing liabilities	-	-	-	-	1,324	1,324
Total liabilities	17,483	8,626	6,420	173	4,124	36,826
Stockholders' equity	-	-	-	-	1,389	1,389
Total liabilities and stockholders' equity.....	17,483	8,627	6,420	173	5,513	38,215
Interest rate sensitivity gap	6,681	(6,449)	(5,579)	303	6,432	1,388
Cumulative rate sensitivity gap ..	6,681	231	(5,347)	(5,044)	1,388	1,388
Cumulative gap as percentage of total.....	17.48%	0.61%	(13.99%)	(13.20%)	3.63%	(5.47%)

[1] Includes the funding of rediscounted loans, call money operations and U.S. dollar-denominated loans from banks. The amount classified in 0-30 days is related to the short-term debt with reviewable interest rates in less than 30 days and classified as short-term debt. There is no rate sensitivity related to short-term fixed-rate loans with maturities of less than one year.

[2] Includes the funding of rediscounted loans, call money operations and loans U.S. dollar-denominated from banks. The amount classified in 0-30 days is related to the short-term debt with reviewable interest rates in less than 30 days and classified as long-term debt. There is no rate sensitivity related to long-term fixed-rate loans with maturities of less than one year.

As of December 31, 2011, total assets totaled Ps.38,215 million. Of these assets, 63.24% repriced every 30 days or less. Such assets included 3.24% of loans, 95.05% of securities. Of our total loans, 91.37% are variable-rate commercial loans, 7.01% are consumer and mortgage loans and 56.63% are fixed rate commercial loans.

As of December 31, 2011, our liabilities totaled Ps.36,826 million. Of these liabilities, 56.66% consisted of deposits totaling Ps.20,866 million of which 31.11% repriced every 30 days or less. The remaining 43.34% of our liabilities consisted of Ps.2,719 million of short-term debt, Ps.766 of long-term debt and Ps.1,325 million of other non-interest bearing liabilities, and Ps.1,424 of Existing Notes, and Ps.9,727 million of credit balances under agreements to repurchase and resale and derivatives. Of such debt, Ps.17,483 million of liabilities, 47.47% repriced every 30 days or less.

Interest-Earning Deposits with Other Banks

The following table shows short-term funds deposited with other banks broken down by principal geographic area for the years ended December 31, 2009, 2010 and 2011. Deposits in countries other than Mexico are denominated in several currencies; however, the substantial majority of such assets are denominated in dollars.

	At December 31,		
	2009	2010	2011
		(Millions of pesos)	
Foreign:			
United States	402	1,313	618
Mexico:			
Commercial banks	1,603	730	1,099
Banco de México	2,169	914	946
Total (México)	3,772	1,644	2,045
Total	**4,174**	**2,957**	**2,663**

Banco de México's regulations require banks to maintain a minimum liquidity coefficient of foreign currency liabilities. See “Supervision and Regulation—Reserve Requirements and Liquidity Coefficients.” A substantial majority of our short-term deposits with international banks are denominated in dollars.

Banco de México's regulations require that a bank maintain balanced positions in foreign currencies no higher than a specified level with respect to its Tier 1 capital. As of December 31, 2011, the limit established for us by *Banco de México* for maturity-adjusted net foreign currency-denominated liabilities was Ps.148 million (U.S.$10.73 million).

Securities

Our total investments in securities were Ps.12,131 million, Ps.17,470 million and Ps.20,311 million as of December 31, 2009, December 31, 2010 and December 31, 2011, respectively, which amounts represented 40.57%, 47.68% and 53.15% respectively, of our total assets at such dates. Total assets include derivative financial instruments, on a net basis.

Investment in securities	At December 31, 2009	2010	2011
Trading securities	(millions of pesos, except for percentages)		
Mexican government securities:			
Cetes	120	1,318	1,010
Bank debt	911	1,613	1,738
Other government securities	6,749	10,721	5,181
Total trading securities	7,780	13,652	7,929
Stock Certificate	7	11	11
Mexican government securities			
Cetes	120	26	35
Total available for sale	127	37	46
Held to maturity securities[1]	-	-	-
Trust certificates and other securities	4,224	3,781	12,336
Total held to maturity	4,224	3,781	12,336
Total Investment in securities	12,131	17,470	20,311

(1) Investment securities are carried at values adjusted annually in accordance with standards established by the CNBV. Increases/decreases in the value of marketable securities, determined in accordance with applicable regulations, are recorded as surplus or loss in revaluation of shares.

As of December 31, 2011 we held securities for Ps.20,311 million, representing 53.15% of our gross total assets. Of these securities, 59.91% mature within 89 days and 28.77% mature between one to five years.

The following table analyzes as of December 31, 2011 the maturities and weighted average yields of our investment securities that have a specific date of maturity.

	1-89 Days		90-360 Days		1-5 Years [1]		Total	
	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]
	(millions of pesos, except for percentages)							
Trading securities								
Mexican government securities								
Cetes	961	4.55%	-	-	49	4.53%	1,010	4.55%
Other government securities	848	4.65%	-	-	4,333	4.70%	5,181	5.56%
Banking Debt	565	4.50%	-	-	1,173	4.60%	1.738	-
Total trading securities	**2,374**	**4.60%**	**-**	**-**	**5,555**	**4.69%**	**7,929**	**5.37%**
Stock certificate	3	4.71%	-	-	8	5.25%	11	5.23%
Cetes	7	6.83%	-	-	28	5.79%	35	6.41%
Total available for sale	**10**	**4.84%**	**-**	**-**	**36**	**5.25%**	**46**	**5.23%**
Held to maturity securities								
Banking Debt	1,081	3.27%	-	-	-	-	1,081	3.27%
Other	-	-	2,300	4.71%	252	4.63%	2,552	4.63%
Trust certificates	8,703	9.26%	-	-	-	-	8,703	9.26%
Total held to maturity	**9,784**	**8.60%**	**2,300**	**4.62%**	**252**	**4.63%**	**12,336**	**7.76%**
Total investments in securities	**12,167**	**7.95%**	**2,300**	**4.62%**	**5,843**	**4.82%**	**20,311**	**6.81%**

(1) Effective yield based on December 31, 2011 quoted market values.

Loan Portfolio

Total loan amounts include the total principal amount of performing and non-performing loans outstanding as of the date presented, which include rediscounted loans. The terms "total loans" and "total loan portfolio" include total performing loans plus total non-performing loans. The terms "net total loans" and "net total loan portfolio" refer to net total performing loans plus net non-performing loans. See "Presentation of Financial and Other Information—Terms Relating to Our Loan Portfolio."

Total balance of our net loan portfolio as of December 31, 2011 amounted to Ps.13,391 million, a decrease of Ps.1,434 million, or 9.67%, from the balance as of December 31, 2010. This decrease was mainly the result of decreases in government and agribusiness loans of Ps.2,573 million, which was partially offset by an increase of Ps.839 million in commercial and corporate loans.

As of December 31, 2010, our net loan portfolio amounted to Ps.14,825 million, an increase of Ps.1,754 million, or 13.42%, compared to December 31, 2009. This increase was mainly the result of the growth of our commercial loan portfolio (which includes factoring loans).

The following table analyzes our loans at the dates indicated by type of loan at December 31, 2009, 2010 and 2011. Total loans reflect the sum of the performing loan portfolio and the gross non performing loan portfolio, less allowance for loan losses. It includes loans secured in whole or in part by cash, securities or property (including plant, inventory and equipment) and loans guaranteed by financially responsible third parties.

	At December 31,		
	2009	2010	2011
		(Millions of pesos)	
Commercial and corporate loans	6,920	8,899	9,738
Financial entities	514	674	546
Government entities	4,993	4,570	1,997
Sub-total Performing Commercial Loans (as defined by the CNBV)	12,428	14,143	12,281
Mortgages	608	688	816
Consumer	52	41	24
Total Performing Loans	13,088	14,872	13,121
Total Non-performing loans	316	455	636
Total Loan Portfolio	13,404	15,327	13,757
Allowance for loan losses	333	502	366
Net total loans (including non-performing loans and less allowance for loan losses)	13,071	14,825	13,391

Performing Loans

The following table sets forth our performing loan portfolio as of December 31, 2009, 2010 and 2011:

	At December 31,				
	2009	2010	% Change	2011	% Change
	(Millions of pesos, except for percentages)				
Commercial and Corporate loans	6,920	8,899	28.60%	9,738	9.43%
Financial entities	514	674	31.13%	546	(18.99%)
Government entities	4,993	4,570	(8.47%)	1,997	(56.30%)
Total Performing Commercial Loans	12,428	14,143	13.80%	12,281	(13.17%)
Mortgages	608	688	13.16%	816	18.60%
Consumer	52	41	(21.15%)	24	(41.46%)
Total Performing Loans	13,088	14,872	13.63%	13,121	(11.77%)

Governmental Entities

Total performing loans to governmental entities as of December 31, 2011 and 2010 amounted to Ps.1,997 million and Ps.4,570 million, respectively which represents a decrease of Ps.2,573 million, or 56.30%, from the amount recorded as of December 31, 2010. This decrease was due to the maturity of loans in our government loan portfolio.

Total loans to performing governmental entities totaled Ps.4,570 million as of December 31, 2010, reflecting a decrease of Ps.423 million, or 8.47%, compared to December 31, 2009.

Governmental entities loans outstanding as a percentage of the total loan portfolio was 14.52% as of December 31, 2011, 29.82% as of December 31, 2010 and 37.25% as of December 31, 2009.

Non-Performing Loans

Our non-performing loan portfolio increased to Ps.455 million at December 31, 2010. As of December 31, 2011, our non-performing portfolio increased to Ps.636 million due mainly to an increase in non-performing loans in (i) our agribusiness loan portfolio (which is part of our commercial loan portfolio) due to an increase in non performing loans from small agribusinesses and (ii) in our mortgage loan portfolio which was due to a few large mortgages which became past due in 2011. As a result we have redefined our strategy to only target medium and large agribusinesses.

	At December 31,				
	2009	2010	% Change	2011	% Change
	(Millions of pesos, except for percentages)				
Commercial	272	373	37.13%	523	40.21%
Mortgages	44	82	86.36%	113	37.80%
Total	316	455	43.99%	636	39.78%

Loans by Type of Borrower

The following table analyzes the breakdown of our total loan portfolio (net of allowance for loan losses) among loans to the public sector, businesses, individuals and other private sector loans for the years ended December 31, 2009, 2010 and 2011.

	At December 31,		
	2009	2010	2011
	(Millions of pesos)		
Public sector[(1)]	4,994	5,446	2,687

	At December 31,		
	2009	2010	2011
		(Millions of pesos)	
Private Loans:			
Business	6,441	7,492	8,663
Individuals[2]	652	769	929
Other private sectors[3]	1,317	1,619	1,478
Total private loan portfolio	8,410	9,880	11,070
Total loans	13,404	15,327	13,757
Allowance for loan losses	333	502	366
Total loan portfolio, net	13,071	14,825	13,391

(1) Loans to government states and municipalities are secured by alternate sources of payment through Ramo 28, which are periodic federal contributions to the states and municipalities.
(2) Includes loans to individuals for business activities, and mortgage, credit card and other consumer loans.
(3) Other private sectors includes, among others, financial entities.

As of December 31, 2011, our public sector loan portfolio accounted for 20.07% of our net total loan portfolio, as of December 31, 2010 it represented 36.74% and as of December 31, 2009 it represented 38.20%.

Loans by Economic Activity

During the last three years, we have focused our lending activities towards those sectors of the Mexican economy which we believe, within the context of our overall risk management policies, have the greatest potential for growth. We also have reduced our exposure to sectors in which we were previously concentrated, such as textiles, because we believe that their growth will decrease.

The following table set forth an analysis of the composition of the loan portfolio according to the borrower's principal economic activity.

Loans by Economic Activity

	Portfolio Classification by Economic Sector At December 31,					
	2009		2010		2011	
	Principal amount of loans[1]	% of Loan Portfolio	Principal amount of loans[1]	% of Loan Portfolio	Principal amount of loans[1]	% of Loan Portfolio
Economic Sector:	(Millions of pesos, except for percentages)					
Agriculture, Forestry and Fishing	-	-	-	-	166	1.21%
Manufacturing Industry	779	5.82%	1,117	7.29%	1,182	8.59%
Construction	1,039	7.75%	1,377	8.98%	1,623	11.80%
Commerce, Restaurants and Hotels	3,192	23.81%	3,540	23.10%	3,266	23.74%
Transportation, Storage and Communications	99	0.74%	112	0.72%	440	3.20%
Financial Services, Insurance and Movables	2,008	14.98%	2,378	15.52%	2,822	20.51%
Social, Personal and Community Services	6,280	46.85%	6,793	44.32%	4,247	30.87%
Other past-due indebtedness	1	0.01%	1	0.01%	1	0.01%
Credit Card	6	0.04%	9	0.06%	10	0.07%
Total	13,404	100.00%	15,327	100.00%	13,757	100.00%

[1] Gross amounts before loan losses.

Maturity Composition of the Loan Portfolio

The following table sets forth our total loan portfolio based on time remaining to maturity as of December 31, 2009, 2010 and 2011. Loans with maturity of more than 60 months include predominantly residential real estate loans and commercial loans.

	At December 31,					
	2009	%	2010	%	2011	%
	(Millions of pesos, except for percentages)					
0 to 6 Months	7,796	58.16%	7,514	49.03%	3,829	27.84%
6 to 30 Months	1,331	9.93%	2,717	17.73%	1,793	13.03%
30 to 60 Months	1,871	13.96%	1,302	8.49%	1,560	11.34%
Over 60 Months	2.406	17.95%	3,794	24.75%	6,575	47.79%
Total loan portfolio before allowance for loan losses	13,404	100.00%	15,327	100.0%	13,757	100.0%

As of December 31, 2011, 2010 and 2009, loans with maturities within six months accounted for 27.83%, 49.03% and 58.16% respectively of the total performing loans. Of the total performing loan portfolio, loans with maturity between 6 and 30 months represented 13.03%, 17.73% and 9.93% as of December 2011, 2010 and 2009, respectively. Loans with maturities between 30 and 60 months accounted for 11.34%, 8.49% and 13.96% as of December 2011, 2010 and 2009, respectively, and loans with maturities of more than 60 months accounted for 47.79%, 24.75% and 17.95% of the total performing loans as of December 31, 2011, 2010 and 2009, respectively.

Interest Sensitivity of Outstanding Loans

The following table presents the interest sensitivity of outstanding loans as of December 31, 2009, 2010 and 2011. The majority of our loans denominated in pesos have rates determined by either the TIIE

rate or the *Cete* and are reset at least every 28 days in conjunction with such rates. See “Management's Discussion and Analysis of Financial Condition and Results of Operations—Asset and Liability Management” are not reflected as part of the non-performing loans or our portfolio of discounted loans.

	At December 31,		
	2009	2010	2011
		(Millions of pesos)	
Discounted loans	1,187	1,409	1,152
Fixed nominal rate	655	721	832
Non-performing loans	316	455	636
Variable rate	11,246	12,742	11,137
Total Loan Portfolio	13,404	15,327	13,757

As of December 31, 2011, 80.96% of our total loan portfolio earned interest at floating rates, compared to 83.13% and 83.90% as of December 31, 2010 and 2009, respectively.

Risk Elements in the Loan Portfolio

The following table analyzes our non-performing loan portfolio by type of loan as of December 31, 2009, 2010 and 2011. For a discussion of our non-performing loan portfolio, see “Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Portfolio—Non-Performing Loans.”

	At December 31,		
	2009	2010	2011
		(Millions of pesos)	
Non-performing loans (principal amount):			
Commercial:			
0 to 30 days from due date	46	33	65
30 to 60 days from due date	10	22	17
60 to 90 days from due date	4	17	12
Over 90 days from due date	254	368	531
Mortgage:			
30 to 60 days from due date	1	5	8
60 to 90 days from due date	1	10	3
Total non-performing loans (principal amounts)	316	455	636

From December 31, 2011 to December 31, 2010, the net non-performing loan portfolio increased Ps.181 million, or 39.78%, reaching Ps.636 million at December 31, 2011. From December 31, 2010 to December 31, 2009, the net non-performing portfolio increased by Ps.139 million, or 43.99%, reaching Ps.455 million at December 31, 2010.

Classification of Loan Portfolio

As of December 31, 2011, loans to our largest 20 clients represented approximately 39.8% of the total portfolio. Of all of such loans, 90.0% were classified under the “A” category and 10.0% were classified under the “B” category, according to the Loan Classification and Rating Rules referred to below.

The Loan Classification and Rating Rules set forth under the General Rules for Banks, provide a methodology to classify consumer loans (*i.e.*, credit cards and loans to individuals) considering delinquency periods, probability of payment and potential losses (taking into account collateral received), mortgage loans (*i.e.*, residential) considering delinquency periods, probability of payment and potential losses (taking into account collateral and guarantees received) and commercial loans based on an evaluation of the borrower's ability to repay its loan (including country risk, financial risk, industry risk and payment history) and an evaluation of the related collateral and guarantees. Based on this methodology, the percentage of required reserves is determined. Although the Loan Classification and Rating Rules also allow banks, subject to prior approval by the CNBV, to develop and adopt specific internal procedures within certain parameters to grade the loans in their loan portfolio, we follow the methodology set forth in the Loan Classification and Rating Rules.

The Loan Classification and Rating Rules require that Mexican banks grade 100% of their commercial loan portfolio as of the end of each quarter (except loans made to or guaranteed by the Mexican federal government). The classification of mortgage and consumer loans is required to be made monthly and reported to the CNBV.

The Loan Classification and Rating Rules establish the following categories corresponding to levels of risk and set forth procedures for the grading of commercial loans: Grade “A” loans, represent minimal risk of non-payment; Grade “B” loans, represent low risk loans; Grade “C” loans, represent loans with moderate risk; Grade “D” loans, represent high risk loans; and Grade “E” loans, represent non-collectible loans.

With respect to consumer loans, the classification is determined on the basis of the amount of time such loans have been past-due. Consumer loans with zero past-due payments are rated “A,” those past-due for one month are rated “B,” those past-due for two months are rated “C,” accounts past-due three to six months are rated “D” and past-due accounts of seven months or more are rated “E.”

Residential real estate mortgage loans are also classified on the basis of the amount of time such loans have been past-due. Real estate mortgage loans with zero past-due payments are rated "A," those past-due for up to four months are rated "B," those past-due for five to six months are rated "C," loans past-due seven to forty-seven months are rated "D" and past-due loans of forty-eight months or more are rated "E."

Base Loan Portfolio

The following table analyzes the classification of our Base Loan Portfolio as of December 31, 2009 to December 31, 2011. See "Supervision and Regulation—Classification of Loans and Allowance for Loan Losses" for a discussion of the Mexican regulations relating to loan portfolio classification.

	2009 Amount	% of Base Loan Portfolio	2010 Amount	% of Base Loan Portfolio	2011 Amount	% of Base Loan Portfolio
	(Millions of pesos, except for percentages)					
A.....	509	3.72%	-	-	-	-
A-1	7,185	53.02%	9,574	62.02%	10,989	79.39%
A-2	2,542	18.76%	2,012	13.04%	750	5.42%
B.....	166	1.22%	7	0.04%	-	-
B-1	2,288	16.92%	356	2.31%	1,714	12.38%
B-2	616	4.54%	2,808	18.19%	60	0.43%
B-3	31	0.23%	16	0.10%	11	0.08%
C	3	0.02%	-	-	1	0.01%
C-1	41	0.31%	427	2.77%	44	0.33%
C-2	7	0.05%	35	0.23%	39	0.28%
D	42	0.31%	72	0.47%	63	0.45%
E.....	121	0.90%	128	0.83%	170	1.23%
Total.....	13,551	100.00%	15,435	100.00%	13,841	100.00%
Past due interest and letters of credit.	(147)		(108)		(84)	
Total Loans before allowance for loan losses	13,404		15,327		13,757	

(1) As required by the CNBV, these figures include letters of credit and are not adjusted for anticipated interest payments.

Analysis of Allowance for Loan Losses

We provide for possible loan losses in accordance with the Loan Classification and Rating Rules as required by the CNBV and as of the date of this offering memorandum we are in compliance with the allowance for losses required to be set aside by such rules. The grading of loans determines the amount of the allowance for loan losses required to be set aside, which is determined based on the percent of the outstanding balance of such loans: between 0% and 1% for Grade "A" loans, between 1% and 20% for Grade "B" loans, between 20% and 60% for Grade "C" loans, between 60% and 90% for Grade "D" loans and between 90% and 100% for Grade "E" loans. Mexican government and *Banco de México*'s loans or loans to a third party guaranteed by these institutions are not subject to the grading system and are effectively deemed to be Grade "A" loans for loan loss allowance purposes. The loan loss reserves are held in a separate account on our balance sheet and all write-offs of uncollectible loans are charged against this reserve. Mexican banks are required to obtain authorization from their boards of directors in order to write off loans. In addition, Mexican banks are required to inform the CNBV after such write-offs have been recorded.

Our write-off policy was established according to Mexican regulations. A credit is written-off when it is declared uncollectible. In addition, when a credit is declared uncollectible, it must be reserved at 100%. Our Audit Committee is responsible for identifying all write-offs, and they are informed to our board of directors for their approval.

The following table analyzes our allowance for loan losses and movements in loan written-offs and recoveries for the years ended December 31, 2009 through December 31, 2011, in pesos, as well as net charges to income and period-end allowances for loan losses in pesos. See "Supervision and Regulation—Classification of Loans and Allowance for Loan Losses" for a further discussion of the Mexican regulations relating to loan loss reserves and write-offs.

	At December 31,		
	2009	2010	2011
		(Millions of pesos)	
Balance at beginning of period	210	333	502
Plus:			
Provision for the period	154	284	135
Less:			
Write-offs	31	115	140
Reversal of reserves against retained earnings (Note 24)	-	-	131
Balance at the end of the year	333	502	366

Our total allowances totaled Ps.366 million at December 31, 2011, a decrease of Ps.136 million, or 27.09% compared to the balance at December 31, 2010. This decrease was the result of a change in the methodology to determine the allowance based on an incurred loan losses, and a reduction in our government portfolio and due to a decrease in the allowance for loan losses recognized directly in retained earnings as a result of a special accounting accommodation provided by the CNBV. See Note 24 to our Financial Statements. In addition, as of December 31, 2011, the majority of our total loan portfolio was secured. Unsecured commercial loans, consisting primarily of short-term working capital loans (with terms of 30 to 90 days), are common in Mexico. Guarantees are considered when determining the allowance for loan losses.

The ratio of allowance for loan losses to non performing loans in 2009, 2010 and 2011 was 105.38%, 110.33%, and 57.55%, respectively. The decrease in 2011 was due to the change in methodology in the criteria of loan losses required by the CNBV. See Note 3(f) to our Financial Statements.

Allocation of Allowance for Loan Losses by Category

	At December 31,					
	2009	%	2010	%	2011	%
	(millions of pesos)					
Commercial, financial and agricultural	210	63.06%	258	51.39%	286	78.14%
Credit card	1	0.30%	1	0.20%	3	0.83%
Financial Sector	3	0.90%	5	1.00%	9	2.46%
Government Entities	110	33.03%	227	45.22%	59	16.12%
Non-performing loans	1	0.30%	1	0.20%	1	0.27%
Past-due interest	6	1.80%	8	1.59%	7	1.91%
Required by the CNBV	2	0.61%	2	0.40%	1	0.27%
Total	333	100.00%	502	100.00%	366	100.00%

Funding

The following tables set forth our monthly average balance of liabilities in pesos and in dollars for the years ended December 31, 2009, 2010 and 2011, together with the related average nominal interest rates paid thereon:

	At December 31,					
	2009		2010		2011	
	Average Balance	% of Total Funding	Average Balance	% of Total Funding	Average Balance	% of Total Funding
	(millions of pesos, except percentages)					
Peso-denominated funding:						
Retail deposits:						
Checking accounts	2,659	12.17%	3,537	12.76%	4,254	13.90%
Retail time deposits	5,635	25.81%	10,814	39.00%	13,631	44.54%
Creditors under agreements to repurchase	9,336	42.74%	7,848	28.30%	8,901	29.08%
Interbank loans and loans from other entities	4,212	19.28%	5,530	19.94%	3,819	12.48%
Total peso-denominated funding	21,842	100.00%	27,729	100.00%	30,605	100.00%
Dollar-denominated funding:						
Retail deposits:						
Subordinated debentures	1,373	64.19%	1,279	61.94%	1,261	63.56%
Retail time deposits	474	22.16%	611	29.59%	617	31.10%
Interbank loans and loans from other entities	292	13.65%	175	8.47%	106	5.34%
Total dollar-denominated funding	2,139	100.00%	2,065	100.00%	1,984	100.00%

For the year ended December 31, 2011, our average peso-denominated funding increased 10.37%, compared to December 31, 2010, mainly as a result of an increase of Ps.2,817 million in time deposits. As of December 31, 2011, average peso-denominated funding was comprised of 13.90% checking accounts, 44.54% time deposits, 29.08% repurchase agreements and 12.48% bank loans. Average dollar-denominated funding reached Ps.1,984 million as of December 31, 2011, including Ps.1,261 million in subordinated debentures, Ps.617 million in time deposits and Ps.106 million in bank loans.

Between December 31, 2009 and December 31, 2010, our average peso-denominated funding increased from Ps.21,842 million to Ps.27,729 million, an increase of Ps.5,887 million or 26.95%. As of December 31, 2010, average peso-denominated funding was comprised of 12.76% checking accounts, 39.00% time deposits, 28.30% repurchase agreements and 19.94% bank loans. Average dollar-denominated funding reached Ps.2,065 million as of December 31, 2010, including Ps.1,279 million in subordinated debentures, Ps.611 million in time deposits and Ps.175 million in bank loans.

Demand, Time Deposits and Loans

The following table sets forth demand and time deposits and loans from banks and other entities as of December 31, 2009, 2010 and 2011:

	At December 31,				
	2009	2010	% Change	2011	% Change
	(millions of pesos, except for percentages)				
Demand deposits	3,225	2,916	(9.6%)	3,437	17.8%
Time deposits	10,227	17,131	67.5%	17,429	1.7%
Interbank loans and loans from other entities	6,465	4,749	(26.5%)	3,485	(26.6%)
Total deposits and bank loans	19,917	24,796	24.5%	24,351	(1.9%)

Deposits

The following table sets forth the percentage of our total deposits that were demand deposits and time deposits with the indicated times remaining to maturity as of December 31, 2009, 2010 and 2011.

	December 31, 2009					
	Pesos	**%**	**Dollars**	**%**	**Total**	**%**
Demand deposits	2,365	18.75%	264	31.77%	2,629	19.54%
Non-interest bearing demand	596	4.72%	-	-	596	4.43%
Time deposits.....	9,660	76.53%	567	68.23%	10,227	76.03%
Total deposits.....	12,621	100.00%	831	100.00%	13,452	100.00%

	December 31, 2010					
	Pesos	**%**	**Dollars**	**%**	**Total**	**%**
Demand deposits	1,511	7.98%	160	14.43%	1,671	8.34%
Non-interest bearing demand	1,245	6.57%	-	-	1,245	6.21%
Time deposits.....	16,181	85.45%	950	85.57%	17,131	85.45%
Total deposits.....	18,937	100.00%	1,110	100.00%	20,047	100.00%

	December 31, 2011					
	Pesos	**%**	**Dollars**	**%**	**Total**	**%**
Demand deposits	2,245	11.16%	262	35.71%	2,507	12.02%
Non-interest bearing demand	930	4.62%	-	-	930	4.46%
Time deposits.....	16,958	84.22%	471	64.29%	17,429	83.52%
Total deposits.....	20,133	100.00%	733	100.00%	20,866	100.00%

As of December 31, 2011, total demand deposits reached Ps.3,437 million, a 17.87% increase compared to December 31, 2010, and total time deposits increased 1.74% reaching Ps.17,429 million. As of December 31, 2011, 35.71% of demand deposits were comprised of dollars, 64.29% of time deposits in dollars, 15.78% of demand deposits in pesos and 84.22% of time deposits in pesos.

THE MEXICAN FINANCIAL INDUSTRY

General

Mexico's financial industry is currently comprised of commercial banks, national development banks, broker-dealers, development trust funds and other non-bank institutions, such as insurance companies, bonding companies, credit unions, savings and loans companies, foreign exchange houses, factoring companies, bonded warehouses, financial leasing companies, mutual fund companies, pension fund management companies, limited purpose financial institutions, multiple purpose financial institutions and limited purpose banks. In 1990, Mexico adopted the Financial Groups Law aimed at achieving the benefits of universal banking, which permits a number of financial services companies to operate as a single financial services holding company. Most major Mexican financial institutions are members of financial groups.

The principal financial authorities that regulate financial institutions are the SHCP, *Banco de México*, the CNBV, the IPAB, and the National Commission for the Defense of Financial Service Users (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*) ("CONDUSEF").

Banco de México

Banco de México is the Mexican central bank, which is an autonomous entity that is not subordinated to any other body of the Mexican State. *Banco de México*'s primary purpose is the establishment and regulation of reference interest rates and regulation of foreign exchange. *Banco de México* authorizes the issuance of the notes as the Notes.

SHCP

The SHCP is the ministry in charge of general economic, financial and tax policies. Together with the CNBV and *Banco de México*, it is the primary regulator of commercial banks.

CNBV

The CNBV is an agency created by the SHCP, that regulates day-to-day operations of commercial banks, including monitoring compliance with capital adequacy, reserves and accounting standards. The CNBV also grants licenses for the operation of new commercial banks and may revoke licenses of existing operating commercial banks.

IPAB

After the 1994 financial crisis, the federal government created the IPAB, an independent, decentralized governmental institution. The IPAB's primary purpose is the protection of bank deposits, and may provide liquidity to commercial banks.

CONDUSEF

CONDUSEF provides guidance and information to customers of financial institutions, and may take measures to protect their interests. The CONDUSEF may also act as arbitrator in disputes between financial institutions and their customers.

Trend Toward Multiple Banking Institutions

Prior to 1978, the Mexican banking system was comprised primarily of specialized institutions, which were authorized to conduct specified financial activities pursuant to concessions granted by the Mexican government. Institutions other than multiple banking institutions were not permitted to engage in more than two of the specified activities. During the period from 1978 to the nationalization of commercial

banks in 1982, the structure of the Mexican banking system evolved towards the creation of multiple banking institutions, which were allowed to engage in the full range of banking activities. Recently, the universal banking trend suffered regulatory changes that allow the creation of limited purpose banks or *bancos de nicho* – see "The Mexican Financial Industry – Reforms to Mexican Banking Laws – Limited Purpose Banks".

Nationalization and Subsequent Privatization

In September 1982, Mexico's president decreed the nationalization of private Mexican commercial banks. Effective November 18, 1982, a constitutional amendment was adopted to implement the nationalization, which granted the Mexican government a monopoly on banking and credit service. The number of banking institutions was reduced from 68 to 29 in the first two years of nationalized banking. By 1988, the number had been further reduced to 18, of which six had national coverage, five were regional banks and seven were multi-regional banks. Only two banks, Banco Obrero, S.A. and Citibank N.A., were excluded from the nationalization and continued limited operations as privately-owned commercial banks.

Effective June 28, 1990, the Mexican Constitution was amended to permit Mexican individuals and financial services holding companies to own controlling interests in the then-existing 18 Mexican commercial banks owned by the Mexican government. Subsequently, a new Mexican Banking Law was enacted to regulate the ownership and operation of Mexican commercial banks, national development banks and foreign financial institutions. Pursuant to the Mexican Banking Law, Mexico began the process of privatizing commercial banks. By the third quarter of 1992, the Mexican government had privatized all 18 state-owned commercial banks. Since that time, new commercial banks, including Banca Mifel, have been chartered and regulations regarding investment in the banking sector by foreign investors have been relaxed.

Financial Groups

The enactment of the Financial Groups Law in 1990 permitted the development of the universal banking model in Mexico. By July 1992, most major Mexican financial institutions had become part of financial groups controlled by a financial services holding company, such as ourselves, and made up of a number of financial operating entities. The operations of financial services holding companies are generally restricted to holding shares representing the capital stock of financial services operating subsidiaries. Such subsidiaries, whether direct or indirect, may include Mexican banks, broker-dealers, insurance companies, bonding companies, mutual fund operators, mutual funds, auxiliary credit organizations (such as factoring, financial leasing and bond-warehousing companies), Sofoles, Sofomes, foreign exchange service providers and retirement fund administrators. Financial groups may be comprised of a holding company and any two financial institutions, which may be of the same type, provided that a financial group may not be comprised solely of two Sofomes and a holding company.

The Financial Groups Law permits entities controlled by the same financial services holding company:

- to act jointly before the public, offer services that are supplemental to the services provided by the other and hold themselves out as part of the same group;
- use similar corporate names; and
- conduct their activities in the offices and branches of other entities as part of the same group.

In addition, the Financial Groups Law requires that each financial services holding company, such as ourselves, enter into an agreement with each of its financial services subsidiaries pursuant to which the holding company is responsible secondarily and without limitation for the satisfaction of the obligations incurred by its subsidiaries as a result of the activities that each such subsidiary is authorized to conduct

under the applicable laws and regulations, and is fully responsible for certain losses of its subsidiaries, up to the total amount of the holding company's assets. For such purposes, a subsidiary is deemed to have losses if the assets of such subsidiary are insufficient to satisfy its payment obligations.

No subsidiary of any such holding company is responsible for the losses of the holding company or any other subsidiary thereof. We have entered into such an agreement, as described under “Supervision and Regulation—Financial Groups Statutory Responsibility.”

The Banking Sector

Banking activities in Mexico have been and continue to be affected by prevailing conditions in the Mexican economy, and the demand for and supply of banking services have been vulnerable to economic downturns and changes in government policies. Prior to the early 1990s, lending by Mexican banks to the private sector had fallen to very low levels. It is estimated, however, that by the end of 1994 average total indebtedness of the private sector to Mexican commercial banks had grown to represent approximately 40.7% of Mexican GDP, with mortgage loans and credit card indebtedness generally growing faster than commercial loans. The devaluation of the Mexican peso in December 1994 initiated a crisis, and the resulting high interest rates and contraction of the Mexican economy in 1995 severely impacted most borrowers' ability to both repay loans when due and meet debt service requirements. These effects, among others, caused an increase in the non-performing loan portfolio of Mexican financial institutions, particularly during 1995, which adversely affected the capitalization level of financial institutions. Also, increased domestic interest rates and the deteriorating value of the peso made it more difficult for financial institutions to renew dollar-denominated certificates of deposit and credit lines.

From 1995 through the end of 1997, the CNBV had assumed, or intervened in, the operations of 13 banks and had adopted several measures designed to protect, stabilize and strengthen the Mexican banking sector. These measures included:

- creating a temporary capitalization program to assist banks;
- establishing a foreign exchange credit facility with *Banco de México* to help banks with dollar liquidity problems;
- increasing the level of required loan loss reserves;
- establishing a temporary program for the reduction of interest rates on certain loans;
- establishing various programs to absorb a portion of debt service cost for mortgage loan debtors (including debt restructuring and conversion support programs); and
- broadening the ability of foreign and Mexican investors to participate in Mexican financial institutions.

Reforms to Mexican Banking Laws

On February 1, 2008, the Mexican Congress enacted a number of reforms to the Mexican Banking Law, which grant more power to the CNBV and establish new provisions on transparency and reliability in the disclosure of a bank’s information. The main objectives of the reforms include:

Enhancing the CNBV supervisory practices. The reforms grant ample authority to the CNBV for the supervision of the financial entities under the Mexican Banking Law. The CNBV may perform visits to banks, with the aim to review, verify, test and evaluate the operations, processes, systems of internal control and risk management among others elements that may affect the financial position of banks.

Additionally, the reforms permit the CNBV to partially suspend or restrict the execution of the authorized transactions referred to in Article 46 of the Mexican Banking Law, when such transactions are prohibited or not performed with the required infrastructure or internal controls. The order of suspension can be issued regardless of any other applicable sanctions under the Mexican Banking Law.

Increasing requirements for the granting of credits to customers. For the granting of credits, banks are required to analyze and evaluate the viability of payment by borrowers or counterparties, relying on an analysis based on quantitative and qualitative information that allows establishing their credit worthiness and ability of timely payment of the credit. Banks must issue guidelines and lending process manuals and credit procedures shall be performed in accordance with such policies.

Establishing new provisions on transparency and reliability. Banks are required to publicly disclose their corporate, financial, administrative, operational, economic and legal information, as determined by the CNBV. Banks must post on their website and in a national newspaper their balance sheets and other relevant information periodically.

Establishing fiscalization powers for the supervision of external auditors. The CNBV has powers of inspection and surveillance with respect to entities that provide external audit services to banks, including those partners or employees who are part of the audit team, in order to verify the compliance with the Mexican Banking Law. The CNBV is allowed to: (i) request any information and documentation related to the services rendered; (ii) practice inspection visits; (iii) require the attendance of partners, legal representatives and other employees; and (iv) issue audit procedures to be complied by the auditors, in connection with the tax opinions and practices performed by them.

Limited-purpose banks. The reform introduced limited-purpose banks (*bancos de nicho*), which can only engage in a limited amount of banking activities which are specifically set forth in their by-laws. The minimum required capital of limited-purpose banks can vary depending on the activities carried out by such entities, from a range of 90,000,000 UDIs to 36,000,000 UDIs.

Initiatives to Improve Creditors' Rights and Remedies

Mexico has enacted legislation to improve creditors' rights and remedies. These laws include collateral pledge mechanisms and a new bankruptcy law.

Collateral mechanisms

On June 13, 2003, a congressional decree was published amending the Mexican Commerce Code (*Código de Comercio*), the General Law of Negotiable Instruments and Credit Transactions (*Ley General de Títulos y Operaciones de Crédito*), the former Securities Market Law, the Mexican Banking Law, the Insurance Companies Law (*Ley General de Instituciones y Sociedades Mutualistas de Seguros*), the Bond Companies Law (*Ley Federal de Instituciones de Fianzas*) and the General Law of Ancillary Credit Organizations and Activities (*Ley General de Organizaciones y Actividades Auxiliares del Crédito*). The purpose of the amendment was to provide an improved legal framework for secured lending and, as a consequence, encourage banks to increase their lending activities. Among its provisions, the decree eliminated a prior non-recourse provision applicable to non-possessory pledges (which allowed the creation of a pledge over all the assets used in the main business activity of the debtor, but limited recourse to the applicable collateral) and collateral trusts, to allow creditors further recourse against debtors in the event that proceeds derived from the sale or foreclosure of collateral are insufficient to repay secured obligations.

Bankruptcy Law

Mexico’s bankruptcy law was enacted on May 12, 2000 and has, thereafter, been frequently used as a means to conclude complex insolvency situations affecting Mexican companies, by providing expedited and clear procedures, while at the same time granting creditors and other participants the certainty of an

in-court solution. The law provides for a single insolvency proceeding encompassing two successive phases: a conciliatory phase of mediation between creditors and debtor, and bankruptcy.

Only IPAB or the CNBV may demand the declaration of insolvency of banking institutions, including Banca Mifel. In the case of banking institutions, such as Banca Mifel, with the declaration of bankruptcy (*concurso mercantil*) the judicial procedure is initiated in the bankruptcy phase and not, as in common procedures, in the conciliatory phase. The bankruptcy of a Mexican bank is viewed as an extreme measure (because it results in a liquidation and dissolution), which has not been resorted to in practice, and is preceded by a number of measures that seek to avoid it, such as precautionary measures taken by the CNBV, facilities made available by IPAB and an intervention led by the CNBV. Upon presentation of the declaration of insolvency, banking institutions must cease operations and suspend payment of all obligations.

The bankruptcy law establishes precise rules that determine when a debtor is in general default in its payment obligations. The principal indications are failure by a debtor to comply with its payment obligations in respect of two or more creditors, and the existence of any of the following two conditions: (i) 35% or more of a debtor's outstanding liabilities are 30 days past-due; and (ii) the debtor fails to have certain specifically defined liquid assets and receivables to support at least 80% of its obligations which are due and payable.

The law provides for the use and training of experts in the field of insolvency and the creation of an entity to coordinate their efforts. Such experts include the intervenor (*interventor*), conciliator (*conciliador*) and receiver (*síndico*). The IPAB acts as the receiver and the CONDUSEF may appoint up to three intervenors.

On the date the insolvency judgment is entered, all peso-denominated obligations are converted into UDIs, and foreign currency-denominated obligations are converted into pesos at the rate of exchange for that date and then converted into UDIs. Only creditors with a perfected security interest (*i.e.*, mortgage, pledge or security trust) continue to accrue interest on their loans. The bankruptcy law mandates the netting of derivative transactions upon the declaration of insolvency.

The bankruptcy law provides for a general rule as to the period when transactions may be scrutinized by the judge to determine if they were entered into for fraudulent purposes which is 270 calendar days prior to the judgment declaring insolvency. This period is referred to as the retroactive period. Nevertheless, upon the reasoned request of the conciliator, the intervenors, who may be appointed by the creditors to oversee the process, or any creditor, the judge may set a longer period.

A restructuring agreement must be entered into by the debtor, as well as recognized creditors representing more than 50% of the sum of the total recognized amount corresponding to common creditors and the total recognized amount corresponding to secured or privileged creditors subscribing the agreement. The proposed agreement, once approved by the creditors, must be presented to the IPAB for its approval. Any such agreement, when confirmed by the court, becomes binding on all creditors, and the insolvency proceeding is then considered to be concluded. If an agreement is not reached, the debtor is declared bankrupt.

On December 2007, the bankruptcy law was amended to incorporate provisions relating to pre-agreed insolvency proceedings, frequently used in other jurisdictions, that permit debtors and creditors to agree upon the terms of a restructuring and thereafter file, as a means to obtain the judicial recognition thereof, a restructuring agreement reached on an out – of – court basis. Such judicial recognition also provides protection against dissident minority creditors.

Deregulation of Lending Entities and Activities

In July 2006, the Mexican Congress enacted reforms to the *Ley General de Organizaciones y Actividades Auxiliares del Crédito* (General Law of Auxiliary Credit Organizations and Credit Activities), the Mexican Banking Law and the *Ley de Inversión Extranjera* (Foreign Investment Law), with the

objective of creating a new type of financial entity called multiple purpose financial entities (*sociedad financiera de objeto multiple* or Sofom) (the "Sofom Amendments"). The Sofom Amendments were published in the Federal Official Gazette of Mexico *(Diario Oficial de la Federación)* on July 18, 2006.

The main purpose of the Sofom Amendments is to deregulate lending activities, including financial leasing and factoring activities. Sofomes are Mexican corporations (*sociedades anónimas*) that expressly include as their main corporate purpose in their by-laws, engaging in lending and/or financial leasing and/or factoring services. Pursuant to the Sofom Amendments, the SHCP has ceased to authorize the creation of new Sofoles, and all existing Sofol authorizations will automatically terminate on July 19, 2013. On or prior to that date, existing Sofoles must cease operating as a Sofol. Failure to comply with this requirement will result in dissolution or liquidation of the Sofol. Existing Sofoles also have the option of converting to Sofomes or otherwise extending their corporate purposes to include activities carried out by Sofomes.

Among others, Sofomes that are affiliates of Mexican credit institutions (*i.e.*, private or public banks) or the holding companies of financial groups that hold a credit institution will be regulated and supervised by the CNBV, and will be required to comply with a number of provisions and requirements applicable to credit institutions such as capital adequacy requirements, risk allocation requirements, related party transactions rules, write-offs and assignment provisions, as well as reporting obligations. Regulated Sofomes are required to include in their denomination the words "*Entidad Regulada*" (regulated entity) or the abbreviation thereof "*E.R.*" All other entities whose main purpose is engaging in lending, financial leasing and factoring activities shall be non-regulated Sofomes and shall so indicate in their corporate denomination by including the words "*Entidad No Regulada*" (non-regulated entity) or the abbreviation thereof, "*E.N.R.*" Non-regulated Sofomes shall not be subject to the supervision of the CNBV.

Sofomes (regulated or non-regulated) will be subject to the supervision of the CONDUSEF as is the case with any other financial entity.

The Sofom Amendments also eliminated the restrictions on foreign equity investment applicable to Sofoles, financial leasing and factoring companies, which until the Sofom Amendments became effective, was limited to 49%. Accordingly, the Sofom Amendments may result in an increase in competition in the banking industry from foreign financial institutions.

OUR BUSINESS

General

Banca Mifel is a limited liability company *(sociedad anónima)* incorporated on December 3, 1993 as a multiple services bank (*institución de banca múltiple*) to provide a wide range of retail and corporate banking services in Mexico that can trace its origins back to 1953 when it was founded as *Promocion y Fomento,* a financing institution. Banca Mifel is one of the few remaining banks in Mexico that is not a subsidiary of a foreign financial institution.

Our business model focuses on offering attractive deposit products to the upper-middle and upper-income segments of the economy and providing low risk loans to medium and large corporations. In addition, our lending activities target various economic sectors, such as corporate clients, home developers, urban infrastructure projects, Mexican state and municipal governments and individual mortgages. We also offer loans to agribusiness and SME clients, with funding which we obtain from national development banks, in addition to our own funding products. Our lending activities are complemented with transactional services such as money market transactions, trust services, distribution and management of mutual funds, foreign exchange transactions, factoring, and leasing. We believe that our extensive banking industry knowledge and expertise and proximity to our clients enable us to offer a high quality banking experiences together with exceptional client service, dependable asset management, as well as diverse and competitive products and services.

As of December 31, 2011, we had Ps.38,215 million (U.S.$2,739.4 million) in total assets and Ps.1,389 million (U.S.$99.6 million) in shareholders' equity. Our total net operating revenue (as previously defined) and net income for the year ended December 31, 2011 were Ps.1,027 million (U.S.$73.6 million) and Ps.167 million (U.S.$12.0 million), respectively. As of December 31, 2011, we had a return on average equity of 12.4%.

Our retail division is primarily engaged in providing banking services to upper-middle and upper-income customers in Mexico. We believe Banca Mifel has become one the most efficient banks in the Mexican banking system in terms of capturing deposits with one of the upper-middle-income and upper-income net-worth client bases in the sector. Our clients had an average deposit balance (including time and demand deposits) of Ps.667,659 (U.S.$47,861) as of December 31, 2011, which is 18.7 times higher than the average deposit balance of the Mexican banking system, according to data published by CNBV.

Our lending activities are tailored to sectors of the economy that allow us to increase the size our loan portfolio while limiting any risk associated with such growth. Our loan portfolio is distributed among various economic sectors and, based on our operating records, is comprised of the following: (i) 38.70% in loans to corporate clients; (ii) 19.23% in loans to agribusiness clients; (iii) 15.23% in loans to home developers; (iv) 14.51% in loans to Mexican state and municipal governments; (v) 6.75% in individual mortgages; (vi) 2.83% in loans to SMEs; (vii) 2.52% in loans to urban infrastructure projects; and (viii) 0.23% in consumer loans. As of December 31, 2011, a portion of our loan portfolio was guaranteed or secured by collateral, including real estate and other assets located in Mexico, as well as guarantees issued by the Mexican government, such as in FIRA and NAFIN programs and Bancomext. We are primarily focused on growing our loan portfolio in the urban infrastructure sector, the mortgage sector (real estate developers and individuals), the SME sector and the agricultural business sector. During the year ended December 31, 2011, our financial margin before provision for loan losses represented 75% of our total net operating revenues (as previously defined) excluding the provision for loan losses; and the non-interest income (as previously defined) plus other operating income, net, represented the 25% of our total net operating revenues excluding the provision for loan losses.

In July 2007 we became one of the few Mexican banks to successfully issue perpetual subordinated notes in the international capital markets. We used the U.S.$100 million in proceeds that were raised in that transaction to increase our operations in Mexico. Our performing loans grew at a rate of 24.10% CAGR during the period of 2007– 2011, which is more than three times the growth realized by the

Mexican banking system as a whole. In addition, our deposit base grew at a 30.70% CAGR during the period of 2007–2011, which is four times the growth realized by the Mexican banking system as a whole. During the recent global financial crisis we were able to increase our share of the loan market without compromising the quality of our loan portfolio as many of our foreign competitors reduced their lending activities. Our total loan market share increased by 25.90% from 2008 to 2011, while the total loan market share of the leading Mexican banks controlled by foreign institutions decreased 3.30% during the same period.

The number of our branches grew from 25 as of December 31, 2007 to 46 as of December 31, 2011, and we expect to open approximately five additional branches by the end of this year. The number of our deposit accounts has grown from approximately 22,515 as of December 31, 2007 to approximately 31,252 as of December 31, 2011. We expect the increase in our number of branches to continue to contribute to the growth of our deposit base.

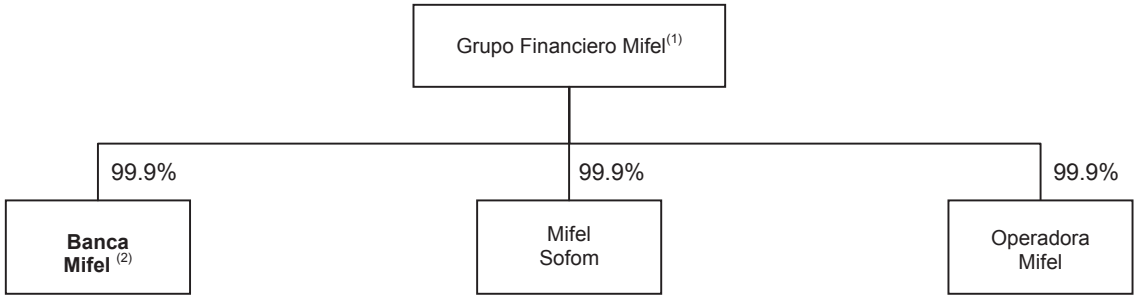
Organizational Structure

As of December 31, 2011, we were 99.9% owned by Grupo Financiero Mifel, one of the few financial services groups in Mexico not affiliated with a non – Mexico based multinational financial institution. In addition to the banking activities that we provide, Grupo Financiero Mifel provides factoring services, financial leasing services and fund management services.

Grupo Financiero Mifel conducts its operations through its subsidiaries, which include:

- Banca Mifel;
- Mifel Sofom, which provides financial leasing services and factoring services; and
- Operadora Mifel, which provides fund management services.

The following chart sets forth Grupo Financiero Mifel's organizational structure as of the date of this offering memorandum:



(1) As of the date of this offering memorandum, the authorized capital stock of our parent company, Grupo Financiero Mifel, is approximately Ps.275 million, fully subscribed and paid-in. The capital stock of Grupo Financiero Mifel is represented by 274,529,513 common, registered, Series O, shares. Daniel Becker Feldman, Martín Máximo Werner Wainfeld and the IFC (as defined below) hold approximately 41.38%, 16.36% and 11.65% of the outstanding shares of Grupo Financiero Mifel, respectively. The remaining 83 shareholders of Grupo Financiero Mifel each hold less than 5% of the shares outstanding.

(2) As of the date of this offering memorandum, the authorized capital stock of Banca Mifel is Ps.1,100 million, represented by 1,100,000 common, registered, Series O shares, of which (i) 1,049,534 shares are fully subscribed and paid-in, and (ii) 50,466 shares are pending subscription and payment. Grupo Financiero Mifel and Daniel Becker Feldman hold approximately 99.9991% and 0.0009% of our shares, respectively.

As of the date hereof, Banca Mifel does not have any subsidiary.

Competitive strengths

A leading mid-sized bank focused on core lending products

Our strategy consists of focusing on marketing our core lending products to specific business segments. We have managed to attain a strong position in certain market segments, including infrastructure projects in Mexico's main cities, real estate development, individual mortgages, SME and agribusinesses.

- *Infrastructure financing*. We have become a relevant player in funding infrastructure projects in Mexico's main cities by structuring the loans based on our clients' specific needs. We have participated in several infrastructure projects including urban infrastructure (mainly public transportation networks in the Mexico City area and *Estado de México*), shopping centers, hospitals, offices, and residential developments.

- *Mortgages*. We believe we have developed one of the most efficient platforms to provide mortgages to home developers and individuals mainly in the Mexico City metropolitan area. Our competitive advantage relies on exceptional service based on quick response time, transparency and the strong relationship we have developed with home developers. Our mortgage portfolio is highly collateralized. For bridge loans, the estimated value of the collateral represents approximately 120.00% of the loan amount and for individual mortgages the loan to value is approximately 80.00%.

- *Small and medium-size enterprises*. We have developed an efficient and low risk platform to service the SME sector, which is highly profitable for our business. We target only those customers serviced by our affiliated factoring business which offers factoring services to suppliers of large private corporations and governmental entities engaged in the *Cadenas Productivas* program that benefit from funding from NAFIN.

- *Agricultural businesses*. We have served the agricultural sector since 2006, and we believe that we have now become one of the leading players in this industry. In addition to our traditional branch network, as of December 31, 2011, we had 18 regional offices to exclusively serve the agricultural sector, which are strategically located to cover Mexico's main agricultural regions. In order to provide financing to this sector, we rely on the Mexican government's support in providing funding and guarantees through FIRA, which are trusts created by the Mexican government to promote agricultural sector development.

Strong momentum and financial performance

In the last few years, we have experienced growth in both total deposits and our performing loan portfolio, with our performing loan portfolio and total deposits growing at a 24.10% and 30.70% CAGR during the period of 2007 – 2011, respectively. Growth has come with increasing profitability, and our net interest income, operating revenue and net income grew at 22.80%, 19.30% and 26.20% CAGR during the period of 2007 – 2011, respectively, based on data published by the CNBV.

We have a very stable balance sheet structure as our large deposit base more than covers our loan portfolio, which together with a strong capitalization structure allows us to take advantage of opportunities to continue to grow our loan portfolio.

In 2010 and 2011, we had double digit returns of average stockholders' equity of 18.84% and 12.40%, respectively, which is well above the average of our return of average stockholders' equity achieved during the 2007 – 2009 period of 4.40%. We believe that our profitability going forward should improve as our investment in opening new branches pays off and our investment in technology materializes.

Customer Service Oriented Structure

We consider ourselves a client oriented bank. We believe that we distinguish ourselves from our competition by providing a high-quality banking experience based on personalized customer service and a diverse offering of products. For example, we offer corporate bonds through our branch network and private banking offices. Our branches are specifically designed to provide our customers with a friendly environment in which to conduct their banking activities. In addition, we believe that we offer some of the most technologically advanced internet banking services in Mexico. Our outstanding customer service was recognized by World Finance, a financial magazine based in the United Kingdom, which named us the best private bank in Mexico for 2009, 2010 and 2011.

Examples of our efforts to provide our clients with convenient banking services through various channels of our distribution network include:

- *Mifel.net*. We offer an electronic banking website which has been recently redesigned to improve its functionality and appearance. This website offers banking products and services to our retail customers, 24 hours a day. We were one of the first Mexican banks to introduce random number generating tokens as a security device, and we believe that our website offers state-of-the-art security protection for our clients. We had approximately 11,008 registered users of Mifel.net as of December 31, 2011 and have registered an average increase of 72 users per week since the year ended December 31, 2011.

- *Telebanca Mifel*. We offer personalized telephone banking services which allow our customers to carry out their banking transactions over the telephone, from 8:00 AM to 10:00 PM seven days a week with the assistance of our representatives. We also provide security to our clients who utilize this service by requiring those who wish to access this service to go through a specialized identification process. We expect to begin offering this service to our clients 24 hours a day, seven days a week within the next three months.

- *Express Delivery*. We offer home or office delivery and collection service that allows customers to carry out banking transactions (including cash withdrawals, deposits, checkbook orders, bank checks, travelers' checks and foreign currency services) free of charge without having to visit a branch. We have made an average of approximately 500 home or office visits per month since December 31, 2011 in connection with our home or office delivery and collection services.

- *Broad range of savings products*. We offer a broad range of savings products through our branch network, which include traditional deposits and investments in money market securities (corporate and government) and mutual funds. Our customers invest in mutual funds according to an "open architecture" plan whereby the customer is offered the option of investing in mutual funds managed by us or other financial institutions.

- *Premier Branches*. Our branches are designed to provide a more comfortable and pleasant banking experience for the customer. For instance, many of our branches offer various types of amenities, such as a coffee parlor, video game stations, and flat screen TVs with financial newscasts, as well as national and international newspapers and magazines. As of December 31, 2011, we operated 46 branches, including two private banking offices.

We also believe that our customer-oriented structure and administrative procedures help better serve our clients. Indeed, our size allows us to provide our customers with an environment that facilitates a more personal relationship between the bank and the customer. Our size also allows us to implement administrative procedures that expedite the approval process and decrease documentation requirements in connection with loan requests. This allows us to open new accounts for individuals in less than 20 minutes and to provide new clients with a check book, debit card and token for electronic banking in this time frame. Our decentralized decision-making process also provides us with a competitive advantage by enabling us to benefit from new opportunities in the market faster than some of our competitors.

Strategic Alliances

In order to meet the diverse needs of our clients and expand the products and services offered to our clients, we have entered into strategic alliances with third parties to provide additional products, services, rewards and benefits to our clients. For example, in March 2011, we signed a 10-year distribution exclusive agreement with RSA, to sell insurance products through our branch network. RSA is one of the world's leading insurance groups. We believe this agreement has allowed us to expand the scope of financial products we offer our clients, increase our cross-selling opportunities and diversify our sources of income. As of December 31, 2011, we had already distributed a total of Ps.2 million in written premiums. We continue to analyze and explore additional opportunities to establish strategic alliances that benefit our clients.

State of the Art Technological Platform

In order to improve the efficiency and effectiveness of our business operations, we developed “Project Evotec” – an integral core banking technological platform provided by Finacle from Infosys, which is one of the most comprehensive, flexible and scalable universal banking solutions in its class. Finacle is the chosen solution for over 154 banks across 75 countries. We expect to fully implement the platform before the end of the second quarter of 2012. The new platform will help us deliver comprehensive customer service through the implementation of cutting-edge infrastructure together with efficient processes. We believe this initiative will position us several years ahead of our competitors’ technological capabilities. The total cost of the project is expected to be approximately U.S.$40 million. As a result of this investment, we will have a complete information management system, systematic and automated processes, process-oriented operating models and integration and automation of critical operating processes.

Strong Management Team and Shareholders Base

Our management has extensive experience in the financial banking sector and has successfully led Banca Mifel’s expansion during the past years. Our top management has been part of Mifel for approximately an average of seven years. Furthermore, our expanded base of shareholders is composed of recognized business people active in a number of sectors of the Mexican economy. The recent capital contribution agreement between Grupo Financiero Mifel and the IFC will in turn strengthen our high corporate governance standards.

Strategy

We seek to distinguish ourselves from our competitors by focusing on the individual needs of our clients, providing a diverse range of financial products and services to meet those needs and managing our clients' assets to develop and maintain their confidence in our services. We believe being an innovative bank and having a lean management structure has allowed us to attract customers for whom high-quality services and quick response times are important. We believe that this strategy has proven effective in contributing to our growth in the Mexican financial services market, which is highly concentrated and competitive.

To achieve our desired rate of growth and profitability levels, we are focused on the following objectives:

Continue to Grow Market Share

Continue to Increase Market Share in Strategic Products

We have been able to increase our market share in key banking products in a very competitive environment. Our market share in loans and deposits has increased from 0.27% and 0.29% in 2007 to 0.56% and 0.76% in December 2011, respectively.

We plan to continue to expand our lending business by increasing the number of loans offered to the infrastructure sector, the mortgage sector (real estate developers and individuals), the SME sector, and the agricultural business sector. We are focusing on these sectors because they involve more guarantees and increased collateral than other sectors, which we believe should result in a more efficient use of capital. As a result of our strategy, we have also experienced an increased diversification of our loan portfolio and we plan to continue to do so as we continue to grow in our targeted sectors. We intend to continue increasing our market share in these segments through the following initiatives:

- *Infrastructure financing projects*. We plan to continue to be the preferred funding source of key developers with whom we have built a strong relationship. Many of these developers consider us as their financial partner in infrastructure projects given that we have participated in past transactions contributing financial resources to fund shopping centers, hospitals, offices and residential developments. In addition, we plan to work closely with state governments and to analyze the dynamics of Mexico's largest cities to identify additional business opportunities, especially in the urban transportation segment.

- *Mortgage lending to real state developers and to middle and high-income customers*. We intend to attract customers by providing high-quality service through rapid approval response times and more frequent and customized interactions. Our expanding branch network will also enhance the growth of our individual mortgage portfolio.

- *SME lending*. We plan to continue to proactively penetrate the client database of our affiliate factoring business. During 2011, approximately 3,400 SMEs were involved in a factoring transaction with Mifel SOFOM and only 115 of them were provided with a loan. We began to focus on factoring customers in the third quarter of 2010.

- *Agriculture lending*. We plan to continue to exploit the installed network of 18 regional offices we had as of December 31, 2011, which are strategically located to cover Mexico's main agricultural regions. Our strategy was recently redefined to target only medium and large agricultural companies.

Expand Our Branch Network in Mexico

As of December 31, 2011, we had 46 branches, including 37 in the Mexico City metropolitan area, 3 in Monterrey, 3 in Cuernavaca, 2 in Guadalajara, and 1 in Metepec (Estado de México). We opened 10 new branches in 2011 and expect to open approximately 5 additional branches this year to expand our retail branch network to 51 branches by the end of 2012. We are planning to open new branches at a similar pace as we have done in the past. In addition, we have 47 Banca Mifel-branded ATM machines, 46 of which are located inside our branches and we plan to increase the number of Banca Mifel-branded ATM machines by at least six in 2012. We have ATM-related agreements with entities commercially known as Plus, Red, Visa, Mastercard, Maestro, Electron, Banamex, BBVA Bancomer, and Carnet. We are also in the process of negotiating agreements with Scotiabank and Inbursa that will allow our respective customers to engage in transactions with each other without incurring fees.

Continue to Develop New Products and Services

The culture of our bank is to continually assess the needs of our clients and seek to improve the quality and variety of our products, simplifying the banking experience for our customers. In order to maintain our competitiveness in the Mexican financial services market, we look to identify new business opportunities and offer services that are complimentary to those already offered.

Examples of products and services developed to increase resources from the public include the following:

- *Loyalty programs*. Our loyalty program offers our clients concierge services, priority-pass, and discounts with more than 11,000 affiliated commerce companies, among other benefits.

- *Mutual funds*. We have developed a family of owned and third-party mutual funds that provide a wide range of alternatives to our customers. Our specialists help customers to create an ad-hoc portfolio based on their investment horizon and risk appetite.

Examples of products and services developed to support loan origination include the following:

- *House renewal loans though the INFONAVIT*. These are loans for an amount less than Ps.44,000 offered to individuals for home renewal purposes which are originated and managed by the INFONAVIT itself. This loan portfolio is fully collateralized by the INFONAVIT and we charge 800 basis points of margin for the loans.

Other examples of developments oriented to improve the quality of our services include the following:

- *Mobile banking applications*. An innovative service channel of e-banking that operates through any mobile phone or device with access to the Internet such as Ipads, and provides access to banking services (including balance inquiries, transfers, payments, and the purchase of cellular phone air time), as an additional service to our e-banking customers at no additional charge.

Continue to Increase Profitability

Continue to Increase Branch Profitability

We seek to improve the profitability of our branches by: (i) increasing loan placements, (ii) diversifying our deposit base, (iii) increasing non-interest income by offering additional financial services such as insurance products, (iv) implementing overall cost reductions as a result of economies of scale associated with our expanded branch network, and (v) continuously renegotiating our rent expense. We expect to continue to review the profitability of our branch network, which involves determining the optimal size of our network and seeking to identify branches that should be closed or relocated. We currently have no plans to close any of our branches.

Increase our Non-Interest Income

We seek to increase our non-interest income (as previously defined) by: (i) growing the volume of foreign exchange and derivatives transactions by having a dedicated sales force, growing our branch network, and targeting medium and large companies for derivatives transactions, (ii) implementing cross-selling opportunities of our trust business with other areas of the bank, such as private banking, branch network, business banking, agribusiness and mortgages, (iii) increasing money market transactions thereby taking advantage of our accumulated portfolio of approximately Ps.13 billion, (iv) and promoting

the use of technological and electronic payment methods, as well as mobiles, online banking and the call center.

Continue Improving our Efficiency Ratio

Specific initiatives oriented to improve our efficiency ratio include (i) a centralized budget control, (ii) an annual headcount review, (iii) the implementation of more efficient processes through our new technological platform, and (iv) a headcount reduction related to finalization of the implementation of the new technological platform.

Take Advantage of Leading Information Technology Platform

The new platform will help us deliver comprehensive customer service through cutting-edge infrastructure and efficient processes. We believe this initiative will position us several years ahead of our competitors' technological capabilities. With this platform, we will have a complete management information system, systematic and automated processes, process-oriented operating models and integration and automation of critical operating processes.

Continue to Maintain Conservative Capital Ratios and Healthy Asset Quality

We intend to continue to employ prudent provisioning and maintain conservative Capital Ratios. Our Capital Ratio was 13.05% as of December 31, 2011, which was above the regulatory requirement of 8.00% set forth in the Mexican Capitalization Rules. On February 24, 2012, our parent company received from the IFC and other investors an equity contribution of approximately Ps.509 million. All of the proceeds from the capital contribution were transferred to us on March 30, 2012. As a result of this capital increase, we estimate that as of March 31, 2012, on a preliminary basis, our capitalization ratio would have improved from 13.05% to 17.60%, on an adjusted basis, as compared to December 31, 2011.

In addition, we intend to continue having a conservative risk management by having our risk and credit committees actively participate in the loan origination process. We also expect to further diversify our loan portfolio by increasing our exposure to lending activities that are secured by a collateral or have guarantees. Additionally, we expect to continue having a loan portfolio that is largely protected against fluctuations in interest rates (currently 80.96% of our loan portfolio is based on variable interest rates). Our new technological platform will provide high-quality data which will be useful in managing our credit risk in a more efficient manner.

History and Ownership

Banca Mifel is a limited liability company (*sociedad anónima*) organized on December 3, 1993 as a multiple services bank (*institución de banca múltiple*) to provide a wide range of retail and corporate banking services in Mexico. As of December 31, 2011, we were 99.9% owned by Grupo Financiero Mifel, one of the few financial services groups in Mexico not affiliated with a multinational financial institution. In addition to the banking activities that we provide, Grupo Financiero Mifel provides factoring services, financial leasing services and fund management services.

Grupo Financiero Mifel has its origins in Promoción y Fomento S.A., a financing institution founded in 1953 by Michael Feldman. In 1985, Casa de Cambio Mifel was incorporated as one of the first private exchange houses to be authorized to operate in Mexico. In 1989, Factor Feld, the forerunner of Factoraje Mifel, was formed. In 1993, Arrendadora Financiera Mifel was created. Also, in 1993, the SHCP authorized the operation of Grupo Financiero Mifel as a financial services holding company under the Financial Groups Law (*Ley para Regular las Agrupaciones Financieras*) and Banca Mifel was granted one of the first private banking authorizations since the nationalization of Mexican banks in 1982. In

2001, Casa de Cambio Mifel was merged with us and was therefore extinguished. In 2003, our current chairman and chief executive officer ("CEO"), Daniel Becker Feldman joined Grupo Financiero Mifel.

On February 24, 2012 the IFC invested Ps.320.5 million (U.S.$25 million) in our parent company in exchange for 31,987,228 shares of Grupo Financiero Mifel, which is equivalent to 11.65% of Grupo Financiero Mifel's outstanding common shares. IFC's partnership with Grupo Financiero Mifel is expected to support Grupo Financiero Mifel's expansion in SME financing, and in other important economic sectors such as manufacturing, agribusiness, construction and urban infrastructure financing, among others, as well as Grupo Financiero Mifel's participation in climate change and sustainability initiatives.

In addition to the IFC investment, a new group of shareholders invested a total amount of Ps.156.9 million in Grupo Financiero Mifel, in exchange for 15,663,071 new shares of Grupo Financiero Mifel's common stock. In addition, a group of former shareholders increased their participation in our parent company by investing a total amount of Ps.31.8 million, for which 4,130,716 shares were issued by Grupo Financiero Mifel.

The investments described above represent a total capital contribution of Ps.509.3 million (U.S.$37 million) to Grupo Financiero Mifel. These proceeds were, in turn, transferred to us by Grupo Financiero Mifel on March 30, 2012, which represents a capital increase of 36.4% to our capital base.

As of the date of this offering memorandum, the authorized capital stock of our parent company, Grupo Financiero Mifel, is approximately Ps.275 million, fully subscribed and paid-in. The capital stock of Grupo Financiero Mifel is represented by 274,529,513 common, registered, Series O, shares. Daniel Becker Feldman, Martín Máximo Werner Wainfeld and the IFC (as defined below) hold approximately 41.38%, 16.36% and 11.65% of the outstanding shares of Grupo Financiero Mifel, respectively. The remaining 83 shareholders of Grupo Financiero Mifel each hold less than 5% of the shares outstanding.

As of the date of this offering memorandum, the authorized capital stock of Banca Mifel is Ps.1,100 million, represented by 1,100,000 common, registered, Series O shares, of which (i) 1,049,534 shares are fully subscribed and paid-in, and (ii) 50,466 shares are pending subscription and payment. Grupo Financiero Mifel and Daniel Becker Feldman hold approximately 99.9991% and 0.0009% of our shares, respectively.

As of the date hereof, Banca Mifel does not have any subsidiary.

Principal Business Activities

Our business model focuses on offering attractive deposit products to the upper-middle-income and upper-income segments of the economy and providing low risk loans to medium and large corporations. We offer other lending products to the agribusiness, as well as to mid and small businesses. We also offer loans to state and municipal governments. Our lending activities are complemented with transactional services such as money market transactions, distribution and management of mutual funds, foreign exchange transactions, factoring, and leasing. We believe that our extensive banking industry knowledge and expertise enables us to offer one of the best banking experiences in Mexico, with exceptional client service, dependable asset management, as well as diverse and competitive products and services.

One of our principal goals is to efficiently deliver services and products to our clients. In an effort to meet this goal, we have organized our business operations into the following business areas:

- Retail banking
  - Branch network
  - Relationship banking

- Enterprise banking
- Private banking

- Commercial banking
  - Corporate banking
  - Small and medium enterprises
  - Mortgage
  - Agribusiness
  - Government banking
- Complementary products and services
  - Leasing
  - Factoring
  - Trust
  - Markets and treasury
    - Money Market
    - Foreign exchange and derivatives
    - Mutual funds
  - Insurance

Retail banking

Our retail banking business is focused on servicing clients in the upper-middle and upper-customer segments and who are located in larger cities in Mexico, such as Mexico City, Guadalajara and Monterrey. The main products offered to customers in these segments are deposits and savings accounts. As a result of our efforts with upper-middle-income and upper-income net worth individuals, we have been able to increase our deposit base by increasing the average balance of deposits. Our clients had an average deposits balance (including time and demand deposits) of approximately Ps.667,659 (U.S.$47,861) as of December 31, 2011, which is 18.7 times higher than the average of the Mexican banking system.

We offer our retail clients a wide array of products and services through our various distribution channels. The type of product or service offered and distribution channel utilized is based on the particular customer's income profile. Our retail banking platform is composed of the following segments:

- *Branch network*. We offer individual customers non-specialized banking products through our network of branches located in Mexico City and other cities in Mexico. Customers in this segment have deposit accounts between Ps.20,000 and Ps.500,000. Through our 46 braches we offer customers traditional savings products, individual mortgage and commercial loans, and other services such as foreign exchange and insurance.

- *Relationship banking*. Customers in this segment have deposit accounts between Ps.0.5 million and Ps.2 million. This business segment is also linked to the branch network, and aims to increase the opportunities to cross-sell products among our various customer segments.

- *Private banking*. This segment includes individuals with an average account balance of more than Ps.2 million. We provide clients in this segment with customized financial and investment

advisory services. Each of these clients are assigned a relationship officer who is familiar with each client's investment profile and who can recommend individualized investment products and services.

We offer various products aimed at increasing our deposit base and savings accounts, such as:

- *Checking deposits*. We originate accounts for our corporate clients, which are denominated in both local currency and U.S. dollars, while we originate accounts for our individual clients in local currency only. In addition, the recent expansion of our branch network was primarily intended to further strengthen our core deposit base. Checking accounts for individual clients range from the basic checking account with linked debit cards to higher-end checking accounts, each of which provides the ability to invest account balances directly in mutual funds.

- *Investments products*. We offer our clients a wide range of investment products such as mutual funds and investments positions through our trading desk. Some of our key investment products include:

  - "Pagaré Mifel" and traditional deposit certificates. Term investment instruments that have a standard fixed or variable rates during the term of the instrument. The investment term ranges from seven days to one year. For accounts in pesos, the minimum investment amount is Ps10,000, while for U.S. dollar accounts, the minimum investment is U.S.$50,000.

  - "Mifel-Cete". An investment product that, depending on the maturity of the underlying instrument, offers an interest rate equal to or higher than the 28-day *Cetes* rate.

  - "Mifel Triple 7". A deposit product with a minimum term of six months, that offers an interest rate of 7% for the first three months of the term of the instrument and an interest rate of 3.50% for the remaining three months. The average interest rate paid to our customers over the 6 month period is 5.25% and is paid to our customers in two quarterly periods, without capitalization. Mifel Triple 7 requires a minimum investment of Ps.1 million.

We also offer our retail banking clients lending products such as credit cards, mortgages and leasing.

Commercial banking

This segment is focused on providing integrated financial solutions to corporate customers, including lending products, leasing and factoring.

Corporate banking

Our strategy is to provide high quality products and services in an efficient manner, as well as adding value to investment projects by offering customized solutions to our corporate banking clients.

Our corporate banking division mainly services the three following customer segments:

- *Traditional corporate banking*. We target medium and large companies to offer loans, mainly for working capital purposes. We mainly service large companies in the commercial, manufacturing and services industries.

As of December 31, 2011, based on our operating records, 38.70% of our loan portfolio was comprised of loans to corporate banking clients.

- *Investment projects*. We offer specialized products and services to clients for infrastructure projects in Mexico's main cities. We have participated in the financing of several infrastructure projects including shopping centers, hospitals, offices, and residential developments.

- *Urban infrastructure projects*. We have actively participated in urban infrastructure and investment projects which include public and private investment such as government buildings and transportation services. Some of the most relevant projects in which Banca Mifel has participated include the *Metrobus*, which is a massive transportation system for Mexico City, and Plaza Civica, which holds government offices for the State of Nuevo Leon.

As of December 31, 2011, based on our operating records, 2.51% of our loan portfolio was comprised of loans to infraestructure projects.

Small and medium enterprises (SME)

We have developed an efficient and low risk platform to service the SME sector which is highly profitable sector for us.

- *Productive SME*. We target only those customers serviced by our affiliated factoring business that are part of the *Cadenas Productivas* program (factoring services offered to suppliers of large private corporations and government entities) that benefit from funding and a 50% loss guarantee from NAFIN.

- *Traditional SME*. Marketed towards individuals and companies who are served mainly through our branch network. The maximum loan size of this product is approximately Ps.4.3 million.

As of December 31, 2011, based on our operating records, 2.83% of our loan portfolio was comprised of loans to SME clients.

Mortgages

We believe we have developed one of the most efficient platforms to provide loans to housing developers for construction and originate both commercial and residential mortgages mainly for individuals located in the Mexico City metropolitan area. Our competitive advantage relies on exceptional customer service based on a quick response time and transparency.

- *Bridge loans*. We offer bridge loans to housing developers for construction projects. We believe we have strong knowledge of this segment by having historically worked with the industry's major housing developers, mainly in the Mexico City metropolitan area.

As of December 31, 2011, based on our operating records, 15.23% of our loan portfolio was comprised of loans to home developers.

- *Individual mortgages*. We offer long-term mortgage financing directly to individuals for residential housing. Specifically, our residential mortgage origination activities are aimed at the upper-middle and upper-income segments of the economy. These mortgages are generally secured by the property being purchased and are denominated in pesos with fixed interest rates for the term of the mortgage. The term of a mortgage ranges from 15 to 20 years for financing of up to 80% of the appraised value of the property. We also offer loans for home improvement, which are originated, managed and secured by the INFONAVIT.

As of December 31, 2011, based on our operating records, 6.75% of our loan portfolio was comprised of individual mortgages.

Agribusiness

We have served the agricultural sector since 2006, and we believe we have now become one of the leading players in this industry. In addition to our traditional branch network, as of December 31, 2011, we had 18 regional offices to exclusively serve the agricultural sector, which are strategically located to cover Mexico's main agricultural regions. In order to provide financing to this sector, we rely on the Mexican government's support in providing funding and guarantees through FIRA, which are trusts created by the Mexican government to promote agricultural sector development.

As of December 31, 2011, based on our operating records, 19.23% of our loan portfolio was comprised of loans to agribusiness clients.

Government banking

We provide financial services to Mexican state and municipal governments and their agencies. These loans are secured by alternate sources of payment through *Ramo 28,* which are periodic federal contributions to the states and municipalities. As of December 31, 2011, the aggregate outstanding balance due from our loans to this segment was Ps.1,997 million, or 14.9% of our total performing loan portfolio.

As of December 31, 2011, based on our operating records, 14.52% of our loan portfolio was comprised of loans to government entities.

Supplementary products and services

Leasing and factoring

We also offer our clients leasing and factoring products provided by Mifel Sofom, a subsidiary of Grupo Financiero Mifel. We offer financial leases to individuals, corporations, and governmental entities for the leasing of vehicles, transportation equipment and machinery, among other purposes. We also offer factoring services to suppliers of large private corporations and governmental entities engaged in the *Cadenas Productivas* program, that benefit from funding from NAFIN.

Trust services

As of December 31, 2011 we operated 523 trusts with a total of Ps.38,536 million assets under management. We offer our clients three different types of trusts: guarantee trusts, management trusts and investment trusts. These products are originated and managed by (i) a dedicated team specialized in servicing our customers and (ii) by the cross-selling efforts of our retail banking and commercial banking units.

Markets and treasury

We offer clients with account balances greater than Ps.500,000 the opportunity to engage in money market transactions, thereby providing them with access to a wider range of investment products. In particular, we focus on offering these clients customized investment portfolios and investment solutions for their excess cash. Our markets and treasury division is divided into the following segments:

- *Money market.* The trading desk is a business unit that generates revenue through efficient management of securities positions by using a directional strategy, which also minimizes credit and market risk. The trading desk offers our customers the opportunity to invest in instruments with different terms, yields and investment qualities to meet their specific investment needs.

- *Foreign exchange and derivatives.* We provide our clients with advisory services in connection with foreign exchange and derivatives transactions. We have a group of salespeople dedicated to

offering these products. The target markets we serve are: traditional businesses, such as corporate, institutional and retail, through our network of branches. Our experience in the advisory business is supported by our vast operational experience in foreign exchange transactions, primarily in peso-U.S. dollar transactions, but also in transactions involving Euros, Canadian Dollars, Pound Sterling, Swiss francs, the Japanese Yen and other foreign currencies. We transact with internationally recognized corporations, with no client representing more than 20% of our daily foreign currency exchange operations.

- *Mutual funds.* We offer our clients the ability to participate in mutual funds owned by us and third-parties. As of December 31, 2011, we had Ps.2,435 million assets under management, with Ps.1,506 million in our mutual funds and Ps.929 million in mutual funds owned by third parties. We currently operate and manage eight funds and we distribute client funds to 40 third-party funds, which are managed by national and international recognized fund managers such as: Operadora GBM, S.A. de C.V., Sociedad Operadora de Sociedades de Inversión, Sura Investment Management, S.A. de C.V., Sociedad Operadora de Sociedades de Inversión, Operadora Actinver, S.A. de C.V., Sociedad Operadora de Sociedades de Inversión, Operadora de Fondos Nafinsa, S.A. de C.V., Sociedad Operadora de Sociedades de Inversión, Franklin Templeton Asset Management Mexico, S.A. de C.V., Sociedad Operadora de Sociedades de Inversión, Operadora Valmex de Sociedades de Inversión, S.A. de C.V., Sociedad Operadora de Sociedades de Inversión, Scotia Fondos, S.A. de C.V., Sociedad Operadora de Sociedades de Inversión, among others. Our participation with these third-party mutual funds allows us to offer our customers a full range of investment products covering almost all asset classes in the market.

Insurance

In March 2011, we signed a 10-year distribution exclusive agreement with RSA to sell insurance products through our branch network. See “Our Business – Competitive strengths – Strategic Alliances”.

Other Services

Other services offered to our corporate banking clients include POS, and other services offered to our corporate and retail banking clients include safety deposit boxes, ATMs, express delivery (home or office delivery and collection service), mobile banking, internet banking and access to our call center.

Competition

We face strong domestic competition in all aspects of our business from other Mexican financial groups, commercial banks, insurance companies and securities-brokerage houses, as well as from non-Mexican banks and international financial institutions. The three largest banks, Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex (“Banamex”), BBVA Bancomer, S.A., Instituición de Banca Múltiple, Grupo Financiero BBVA Bancomer (“BBVA Bancomer”) and Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander, hold in the aggregate 53.94% of the total deposits (including interbank loans) in Mexico, followed by a total of 80.59% held in the aggregate by HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, Scotiabank and Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte. The remaining 19.41% is distributed among 37 banks based on data published by the CNBV as of December 31, 2011.

In the commercial banking sector, we compete more generally with the larger banks, but more specifically our peer group consists of all small to medium banks: Afirme, Banco del Bajio, Banco Interacciones, Banregio, Ixe Banco, S.A., Institución de Banca Múltiple, Ixe Grupo Financiero, Invex, and Bansi.

Competition is likely to increase as a result of the entrance of new participants into the banking sector. The SHCP has recently granted a number of banking licenses for the establishment and operation of

several new banking institutions. We expect this trend to continue with new entrants to the Mexican banking sector during 2012 and the following years.

Under Mexican law, 100.00% foreign ownership of the equity of Mexican financial holding companies and commercial banks is allowed and any individual or foreign entity (other than foreign government entities) is permitted to acquire control of Mexican financial groups and commercial banks; provided, however, that any transfer of shares representing more than 2.00% of the outstanding capital stock of a Mexican financial group is required to be reported to the SHCP and the authorization of the SHCP and the favorable opinion of the CNBV is required if the acquired interest exceeds 5.00% of the total capital stock of such Mexican financial group. Also, the authorization of the CNBV, with the favorable opinion of *Banco de México* is required to acquire more than 5.00% of the outstanding capital stock of a Mexican commercial bank, and notice to the CNBV is required for the transfer of 2.00% of the outstanding capital stock of such institution.

Commercial banks in Mexico also compete in the retail market with non-banking institutions known as Sofoles and Sofomes, which focus primarily on offering consumer and mortgage loans to middle- and low-income individuals. Until recently, the commercial credit market for middle- and low-income individual customers has been serviced almost exclusively by non-banking institutions. Currently, a large number of non-banking institutions are incorporated in Mexico. Mexican non-banking institutions may engage in certain specific lending activities and are supervised by the same regulatory authorities as commercial banks, but are prohibited from engaging in many banking operations, including foreign trade financing, offering checking accounts and engaging in foreign currency operations. Traditional banks have begun to extend their credit services to the markets previously dominated by Sofoles and Sofomes.

In addition, commercial banks will probably face increasing competition as a result of recent reforms to several financial laws, which have been enacted with the main purpose of deregulating lending activities in Mexico, including financial leasing and factoring activities which have created a new type of financial entity called Sofomes. See “The Mexican Financial Industry—Deregulation of Lending Entities and Activities.”

Commercial banks also face increasing competition from other financial institutions that can provide larger companies with access to domestic and international capital markets as an alternative to bank loans.

Our smaller size and relative higher cost structure in relation to our competitors limits our ability to benefit from relative economies of scale in our operations, which may adversely affect our ability to compete. Increasing competition could also require that we increase our rates offered on deposits or lower the rates we charge on our services, which could also adversely affect our profitability.

Distribution Channels

As of December 31, 2011, we had 46 branches throughout the Mexico City metropolitan area, Monterrey, Cuernavaca, Guadalajara and Metepec (*Estado de México*), as well as a network of 47 Banca Mifel-branded ATM machines, 46 of which are located inside our branches.

In 2004, we initiated a branch network expansion strategy which initially targeted the Mexico City metropolitan area. We opened 3 new branches in 2009, 7 new branches in 2010 and 8 new branches in 2011. Our branches are designed to provide a more comfortable and pleasant banking experience for the customer. For instance, some of our branches offer a coffee parlor, video game stations, and flat screen TVs with financial newscasts, as well as national and international newspapers and magazines.

As of December 31, 2011, we had 46 branches, including 37 branches in the Mexico City metropolitan area (including 2 private banking offices) and continue to evaluate the income per capita, state or municipality qualifications, investment levels, social welfare indicators of other areas in Mexico and convergence of business areas and middle and middle high-income residence in search of

opportunities to open additional points of service. The number of our branches increased from 7 in December 31, 2009 to 37 as of December 31, 2010, and to 46 as of December 31, 2011 and we expect to open approximately five additional branches this year. We are planning to open new branches at a similar pace as we have done in the past. The number of our accounts has grown from approximately 22,515 as of December 31, 2007 to approximately 31,252 as of December 31, 2011. During 2011, new accounts opened at our branches amounted to approximately Ps.1.8 million in deposits per week.

We were also one of the first financial institutions in Mexico to offer "direct banking," a relatively new concept in the Mexican financial services industry that is comprised of the following distribution channels:

- *Mifel.net*. We offer an electronic banking website which has been recently redesigned to improve its functionality and appearance. This website offers banking products and services to our retail customers, 24 hours a day. We were one of the first Mexican banks to introduce random number generating tokens as a security device, and we believe that our website offers state-of-the-art security protection for our clients. We had approximately 11,008 registered users of Mifel.net as of December 31, 2011 and have registered an average increase of 72 users per week for the year ended December 31, 2011.

- *Telebanca Mifel*. We offer personalized telephone banking services which allow our customers to carry out their banking transactions over the telephone, from 8:00 AM to 10:00 PM seven days a week with the assistance of our representatives. We also provide security to our clients who utilize this service by requiring those who wish to access this service to go through a specialized identification process. We expect to begin offering this service to our clients 24 hours a day, seven days a week within the next three months.

- *Express Delivery*. We offer home or office delivery and collection service that allows customers to carry out banking transactions (including cash withdrawals, deposits, checkbook orders, bank checks, travelers' checks and foreign currency services) free of charge without having to visit a branch. We have made an average of approximately 500 home or office visits per month since December 31, 2011 in connection with our home or office delivery and collection services

Property

As of December 31, 2011, we occupied 46 properties in Mexico for our offices and network of branch offices. 45 of such properties are leased under terms varying from one to five years with customary leasing terms. We pay approximately Ps.2.64 million (U.S.$0.2 million) per month in rent pursuant to these leases. We own two properties that include our headquarters in Polanco, Mexico City and a branch office in Tecamachalco, Mexico City.

Employees

As of December 31, 2011, we had 898 employees, an increase of approximately 242 employees since December 31, 2009. We staff an average of five employees per branch. Less than 6% of our employees are members of a union, and we pay an annual fee of U.S.$2,100 to the union. All labor and employment contracts are negotiated on an individual basis without union involvement. We consider our current relationship with our work force to be good. We have never experienced a general strike or work stoppage by our employees.

We offer extensive training and mentoring programs for our personnel. We believe that our employee attrition rate is low as compared to the overall attrition rate for the Mexican banking industry. In addition to the benefits our employees are entitled to pursuant to Mexican social security and Housing Aid laws, we offer life insurance policies that cover up to 30 months of an employee's salary. We also offer our employees insurance to cover all major medical expenses. We incurred costs of Ps.1.5 million and Ps.7.5 million in connection with life insurance and major medical expense benefits in 2011, respectively.

In addition, we provide a savings plan to our employees to which we contribute an amount equaling up to 13% of the employee's monthly salary and the accumulated amount is given to our employees once per year. In 2011, we contributed Ps.16.75 million (U.S.$1.29 million) to these employee savings plans.

We are not legally required to and have not established a pension plan for our employees. We do not expect to create a pension plan over the next five years. However, Mexican legislation requires us to create a seniority prime fund in order to pay an employee for the period of time worked, in the event an employee decides to leave the company. As of December 31, 2011, the balance of this fund was U.S.$2.58 million.

Information Technology

Our information technology ("IT") department is responsible for maintaining our operating systems and preserving the security and integrity of our and our clients' data.

In order to improve the efficiency and effectiveness of our business operations, we developed "Project Evotec" – an integral core banking technological platform provided by Finacle from Infosys, which is one of the most comprehensive, flexible and scalable universal banking solutions in its class. Finacle is the chosen solution for over 154 banks across 75 countries. We expect to fully implement the platform before the end of the second quarter of 2012. The new platform will help us deliver comprehensive customer service through the implementation of cutting-edge infrastructure together with efficient processes. We believe this initiative will position us several years ahead of our competitors' technological capabilities. The total cost of the project is approximately U.S.$40 million. As a result of this investment, we will have a complete information management system, systematic and automated processes, process-oriented operating models and integration and automation of critical operating processes.

We have made significant investments in technology in recent years particularly in connection with Project Evotec and expect to continue such investments in order to retain and enhance our competitive position in various financial products markets and to improve the security and quality of our services.

As of December 31, 2011, we had approximately 155 IT personnel, approximately 114 of whom were full-time employees and approximately 41 of whom were contract employees. Our IT internal controls committee meets quarterly to assess any non-compliance with our IT strategic plan and to establish new objectives that ensure information security and the continuity of business operations. The services management division of our IT internal controls committee oversees our IT policies and procedures. The internal audit and control division of our IT internal controls committee constantly monitors our IT department's compliance with business objectives and offers recommendations and advice in the event of non-compliance with such objectives.

Legal and Regulatory Proceedings

We are involved in certain legal proceedings incidental to the normal conduct of our business. We believe there are no material legal proceedings pending or threatened against us in which we are or would be a defendant.

Tax Litigation

In accordance with the Mexican Income Tax Law, Mexican banks are allowed to deduct increases in their loan loss reserves up to an amount equal to 2.5% per year of the average total loan portfolio. However, there have been different interpretations as to the manner in which such deductions are calculated and applied, which has resulted in different applications of the relevant tax provisions in the Mexican banking sector. Currently, we are involved in several different litigation proceedings against the SAT, in connection with the manner in which we have deducted the increases of our loan loss reserves in past years, each of which is in a different stage of the judicial process.

We expect to obtain a favorable resolution in each of the proceedings. We have obtained confirmations from independent tax advisers in respect of the correctness our interpretation of tax laws. However, litigation always involves a degree of uncertainty, and we cannot assure that such favorable resolutions will be obtained.

If resolutions are unfavorable to us in any such proceedings, we may be required to pay amounts equal to unpaid taxes and related penalties and interest.

RISK MANAGEMENT

General

Our risk management process aims to identify risks, as well as measure and monitor their impact on our operations and control their effect on our profits and capital ratios, through the application of appropriate mitigation strategies and the integration of risk management in our daily operations.

In compliance with risk management regulations, as issued by the CNBV, *Banco de México* and our own internal guidelines, we have implemented a series of procedures and controls to strengthen our risk management systems.

Risk Management Policies

Our risk exposures are classified into the following categories for control purposes:

- market risk;
- credit risk;
- liquidity risk;
- operational risk (including technological and legal processing risk); and
- other risks (derivatives risk, legal risk, reputational risk and others).

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

Risk management regulations for the banking industry are set forth under the General Rules for Banks. According to these regulations, all banks operating in Mexico are required to have adequate policies and procedures in place to manage credit, liquidity, operational (including legal) and market risks, which must include sound measurement and monitoring methods. We have implemented policies and procedures, approved by our board of directors, which management believes comply with the requirements set forth under the General Rules for Banks.

Risk Management Policies

Our compliance department verifies that all of our transactions are performed in compliance with our internal policies and procedures, and in compliance with regulatory requirements.
The compliance department reports all compliance-related issues to our senior management, including our Audit Committee and board of directors. In addition, the Risk Committee oversee specific risk control measures within each risk category on a company-wide basis. See “Management—Risk Committee.”

Market Risk

Our exposure to market risk arises from trading and investment in financial instruments, where interest rates, foreign exchange rates (principally the peso/U.S. dollar exchange rate) and government

floating rates are the main sources of market risk, as well as from traditional banking services such as deposit taking and lending where the balance sheet is exposed to interest rate and foreign exchange risks.

Trading Position

Treasury and trading positions are evaluated on a monthly basis for market risk using "Value-At-Risk" ("VaR") methodology. In addition, daily information regarding risk versus limits is assessed. For balance sheet risk and asset and liability risk management, maturity gap, sensitivity analysis and stress testing are used to evaluate risk in different scenarios and to improve performance of funding and investing strategies. Our treasury positions are intended to reduce balance sheet risk and to hedge certain long-term positions as our mortgage portfolio.

Our risk management unit uses historical simulation to calculate VaR, with 250 day price history using scenarios for each of the business units and identifying risk factors for each type of instrument. Our current portfolio is exposed to various factors directly affecting the valuation of portfolios (*e.g.*, local interest rates, foreign interest rates and exchange rates, among others). Historical simulation is the central measure against which limits are compared. Additionally, in order to control and assess interest rate risk and exchange risk, the unit calculates PV01 analysis and other sensitivity measures as Delta, Gamma, Theta, Rho and Vega for the options portfolio.

The information presented below corresponds exclusively to our positions as of December 31, 2011. VaR is calculated to represent the maximum loss at a 95% confidence level and a one day period due to changes in market values of trading and structural positions. During 2011, monthly VaR did not exceed Ps.1,712 million. The following table sets forth the average, maximum and minimum values of the monthly VaR for 2011:

	Average	Min.	Max.
	(Millions of Mexican Pesos)		
Foreign Exchange portfolio	50	2	324
Derivatives portfolio	1,220	129	1,423
Money market portfolio	670	568	834
Pesos treasury	136	99	248
Dollar treasury	616	582	648
Total VaR**(1)	1,490	826	1,864

** Monthly VaR at 95%

(1) Because hedging may occur between different portfolios, the mathematical sum of the VaR per risk factor does not necessarily match the Total VaR.

Stress testing and scenario analysis methods are used to complement the VaR methodology. Stress testing involves the creation of historic scenarios based on infrequent or catastrophic events in order to evaluate contingencies, and is of particular importance during periods of high volatility or illiquid markets. The scenario analysis method is used to create hypothetical or expected market shifts according to market standard deviations. Sensitivity analysis shows the effect on positions caused by predetermined changes in market variables (*e.g.*, a 1 standard deviation increase or decrease in interest rates).

Credit Risk

Credit risk is the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower, which causes an asset (including off-balance sheet transactions) to lose value. Overseas credits also include an element of country risk, which is closely related to credit risk. This is the risk that changes in currency values or political or economic situations result in a loss.

The purpose of credit risk management is to mitigate and optimize the risk, keeping credit risk exposure within a permissible level relative to capital, to maintain the soundness of assets and to ensure returns commensurate with risk. Our current credit policy sets forth uniform and basic operating concepts, code of conduct and standards for credit operations.

We have developed lending policies based on portfolio strategies, underwriting, management, supervision, types of credits, specific acceptance criteria and risk rating. Our policies require us to maintain a portfolio with adequate diversification by sector, type of borrowers, concentration, maturities and currencies.

We have implemented the "CreditRisk+" methodology, which measures credit risk with a portfolio approach that considers both the credit quality of counterparties and exposure for each of the borrowers. This method seeks the minimum level of loss reserves by estimating the expected loss, estimating the size of possible loss at different confidence levels as well as identifying disaster scenarios, that must be considered in extreme scenarios (stress tests). The inputs used to calculate for the expected loss are the probability of default for each counterparty, the exposure for each borrower and the recovery rates.

The following table shows possible losses in three scenarios as of December 31, 2011, as well as the different recovery factors employed:

	As of December 31, 2011		
	Normal Scenario	**Sensitivity**	**Stress**
Exposure…….....	1,122	N/A	N/A
Expected loss…….....	49	58	90
Unexpected loss….....	79	126	217

For the calculations shown above, the following probabilities of default are assumed:

December 31, 2011	
Classification	Probability of Default
A	0.32%
A1	0.32%
A2	0.63%
B	3.19%
B1	3.19%
B2	6.39%
B3	12.79%
C	25.58%
C1	25.58%
C2	38.38%
D	79.99%
E	100.00%

Commercial loans are the most common type of credits (*e.g.*, secured loans, lines of credit, term loans and factoring) with a maximum maturity of three years in most of the cases. Guarantees are considered as an additional source of payment in the credit process, and we do not lend based only on collateral, regardless of its value. The decision to extend credit is made solely on the ability of the borrower to repay the loan and the collateral package.

The prices are consistent with the necessary return to cover expected and non-expected risk, provisions, costs and profits. We do not determine our margin requirements based exclusively on market rates; we also determine the margins based on the particular rating of each credit.

Therefore, our pricing is based on market rates, our funding costs and the rating of each credit.

Our Credit Committee is in charge of the credit approval process. The Credit Committee is comprised of members of the risk and credit areas and by independent members with risk and credit experience. The approval process for related party transactions is similar to any other loan, except that related party transactions must be approved by our board of directors with the favorable opinion of our Credit Committee.

As part of our ongoing process to monitor risks, we monitor the credit collection process, which is the most important principle in our credit process. We analyze, evaluate and monitor each credit and, if applicable, its guarantees. Special attention is paid to non-performing loans and more strict measures are used for these loans. Credits are analyzed with a model similar to the PRISM model (perspective, repayment, intention, safeguards and management), considering quantitative and qualitative aspects of the borrower. The main aspects analyzed in respect of extending or restructuring each credit are:

- references;
- use of proceeds;
- maturity of the loan;
- other terms and conditions of the loan;
- our exposure;
- financial performance; and
- management of the borrower.

When a borrower fails to pay a loan on time, the credit is, after 90 days, classified as nonperforming and transferred to the workout group, which analyzes and designs, together with the collection and legal departments, a collection plan. Any amendment to the original terms or conditions of the loan has to be approved by our Credit Committee. We do not make additional loans to a borrower in default.

Quantifying credit risk reflects the concentration of risk toward a specific customer or industry and fluctuations in the values of real estate, securities and other types of collateral. This data is analyzed to quantify the risk of an entire portfolio or an individual loan. In order to calculate credit risk, historical data for the borrower and facility is entered into a database, the parameters are set—such as the probability of a ratings change, loss given default, and correlation of credit ratings among borrowers—and then the probability distribution of losses for the entire portfolio (amount of loss for what probability) is computed to determine the maximum potential loss in the future. The quantified credit risk results are then used to formulate business plans and provide a standard against which individual credit applications are assessed. In addition, we run stress tests on a monthly basis, and control the credit portfolio by concentration limits, credit rate limits and sector limits in order to maximize profitability while minimizing the risk of the portfolio.

Credit assessments involve a variety of financial analyses, including cash flow analysis, to predict a borrower's ability to repay a loan and the borrower's growth prospects. These quantitative measures are then combined with qualitative analyses of industry trends, research and development capabilities, the competitiveness of the borrower and its products or services and the borrower's management capabilities.

Liquidity Risk

Our liquidity risk management is based on setting forth limits and guidelines for our liquidity

management, maintaining a system of funding sources and establishing contingency funds, as well as performing stress test analyses.

Liquidity risk is the possibility of not having the funds required for settlement of transactions due either to a mismatch between the use and procurement of funds or to an unexpected outflow of funds, or having to borrow at higher interest rates. Liquidity risk also refers to our ability to meet our cash obligations as they become due.

We maintain liquid positions that allows us to respond to the liquidity demands of our clients, whether in U.S. dollars or in pesos. In the investment of these positions, we strive to keep low profiles of credit risk, and we invest these resources in debt instruments issued by international and national financial entities. These investments are subject to credit limits, established by the Risk Committee and the Credit Committee.

As of December 31, 2011, our cash balance denominated in pesos amounted to Ps.1,295 million, equivalent to 6.43% of the peso-denominated deposits taken from our clients. During 2011, we maintained liquid assets denominated in foreign currency and issued by Mexican and foreign institutions. Investments in foreign financial entities amounted to Ps.1,368 million as of December 31, 2011. The aggregate amount allocated to investment funds amounted to Ps.2,663 million as of December 31, 2011.

Operational Risk

Operational risk is defined as the possibility of loss caused by internal or external failures due to insufficiencies in processes, people or systems. In order to address this risk type as well as internal control, we have developed an operating risk management model, methodology and framework, which allows us to identify, analyze, quantify and prioritize possible loss events, as well as establish the proper actions to mitigate, transfer or assume operating risks, and monitor, control and register them in a standardized manner.

We also identify operational losses recorded in our accounts and validate that our records are consistent with supporting documents, including the corresponding authorizations. The actual loss database, which is presented quarterly to the Risk Committee, is then updated. The report highlights significant events in terms of severity, type of loss analysis, risk factors and products or services.

Our methodology recognizes the importance of risk governance throughout the financial group as well as management commitment, awareness and consciousness in a top-down approach, which allow process owners and staff to understand risk and control guidelines and act accordingly.

Systems Risk

Systems risk is the possibility of a loss of information arising from the failure, malfunction or unauthorized use of our computer systems, including hardware, software, networks or any other electronic data systems. We have instituted a number of basic policies to manage technological risk, including a security policy, usage regulations, data back-up procedures, contingency procedures and disaster recovery procedures. We evaluate on a regular basis the information security risk identification of our IT infrastructure, databases, systems and processes. We have developed an incident response plan in order to mitigate the impact of security breaches using specific metrics to track and monitor any possible outside hacking attempts. We are committed to continuously redesigning and implementing contingency plans that guarantee the continuity of operation and services for our clients.

Since systems-related problems at financial institutions have increasingly greater potential impact on the public, and systems risk has increased with the growth of an information technology and the concomitant rising use of networks and personal computers, we have taken steps to ensure smooth and secure operation of our information systems. To maintain the privacy of customer information and prevent information leaks, we have encrypted sensitive information, blocking unauthorized external

access and implemented known countermeasures to secure our data. We have also established contingency plans and conducted training as required to ensure that we are prepared in the event of an emergency. We will continue to revise our countermeasures as new technologies and usage patterns emerge to maintain the utmost security of our data.

Derivatives

The main risks associated with derivative transactions are market risk (change in market prices), credit risk (non-fulfillment of obligations), and liquidity risk (lack of marketability at prices in line with recent sales). We use VaR and the "Greeks" (which refers to the letters that measure the different dimensions of risk in an option position: Delta, Gamma, Theta, Rho and Vega) to manage our exposure to a variety of market risks (*e.g.*, interest rate risk and foreign exchange risk) and mark to market its exposure to credit risk periodically. To mitigate liquidity risk, we have established restrictions based on the portfolio's total sensitivities and on its total currency position. Given that the derivatives market and related documentation are not yet well developed in Mexico, there is also the added documentation risk of structuring and incorporating the terms and conditions of derivatives transactions. In addition, the execution and performance of these types of transactions depend on our ability to develop adequate control and administration systems, and hire and retain qualified personnel.

Legal Risk

Legal risk is the potential loss arising from non-compliance with legal or administrative rules and regulations applicable to us, as well as any possible loss arising from judicial rulings against us. We have developed, defined and implemented policies and procedures to manage legal risk, including management and labor risk. Additionally, we have developed mechanisms to determine, track, and quantify the possible losses arising from legal processes and if necessary to create provisions for these contingencies according to the policies established by our legal and accounting groups.

We have a reporting system that informs managers and employees of changes in regulations governing financial institutions. Once a year, legal audits by third parties are performed, which ensures the independence of such reviews. Additionally, we have developed mechanisms to determine, track, and quantify the possible losses arising from legal processes and if necessary to create provisions for these contingencies.

Trading and Hedging Policies

In our trading operations, we primarily manage two kinds of risks: those related to money market positions and equity positions. We have implemented strict policies in both cases with VaR and stop losses monitored on a daily basis. When limits are exceeded, the position is closed immediately and when a position may not be closed by any reason, alternative hedging positions are immediately sought.

In order to minimize balance sheet risk, we have implemented Fair Value Hedge programs to cover our long-term fixed rate and foreign exchange risk exposures derived primarily from our U.S.-dollar denominated Existing Notes and our mortgage loan portfolio. These programs are authorized by our Risk Committee. In addition, we also maintain policies to cover our SME's variable rate credit portfolio with caps on interest rate. Our hedging policies have certain restrictions such as, the total amount of coverage shall not exceed the amount of the current fixed rate portfolio and the coverage shall comply at all times with the proficiency test required by the regulations in place. The valuation and measurement of these products is performed through specialized consultants, from whom we receive monthly reports.

Money Market Positions

We monitor on a daily basis the limits and any excess thereof, and to the extent that any limits are exceeded, reporting any limits exceeded to our management, to the supervisors of the areas taking the risks, to the general managers of the support areas and to the general managers of audit

and control. The status of each limit and any excess thereof is reported to the Risk Committee on a monthly basis and to our board of directors on a quarterly basis.

Sale and Purchase of Securities

We have implemented three different procedures relating to the sale and purchase of securities for our own account. The directional procedure is research-based on the instrument and contemplates a longer term investment. On the other hand, arbitrage positions involve opportunistic short-term investment transactions. A specific procedure contemplates special situations and the strategic procedure describes an investment policy based on a portfolio designed by our analysts and stock exchange strategic department. In order to mitigate volatility of our portfolio, a stop loss has to be met.

Anti-Money Laundering

We have established a comprehensive set of policies and procedures to comply with all regulatory requirements related to anti-money laundering. So-called “know-your-customer” checklists are utilized when opening accounts with us. Additionally, we have anti-money laundering and antiterrorism financing policies.

Prior to opening an account with us, branch personnel are required to obtain full identification from potential depositors, including tax status, and to keep all such information in the account file. No account should be opened if any of such requirements is not satisfied. Any cash deposit with a value equal to or in excess of U.S.$10,000 is automatically reported to the authorities. Our employees are also required to identify and report any transaction that by its character, origin, region or other characteristic seems suspicious. Suspicious transactions include the exclusive use of cash or cash equivalents, especially old or damaged bills, documents that fail to identify completely the transactions and requests for bank or traveler's checks in unusual large sums. Our employees are trained to recognize suspicious transactions and then, if appropriate, to report them in accordance with our policies.

In addition, we are also required to utilize “World Compliance,” which is software to monitor the operations of clients related with certain government officials. We have access to a database, through which we receive updated lists of individuals involved in terrorist and money laundering activities. We also have access to the “*Quién es quién,*” or “Who’s Who,” list, which includes all politically exposed persons and relevant government officials.

We classify our clients in order to monitor those who have higher risk. We publish internal newsletters with information regarding trends in detection of money laundering techniques. In order to maintain an updated data base of our clients, we have developed a web base format where they can update their information and we have acquired a data base of high risk individuals. Grupo Financiero Mifel's anti-money laundering department is centralized and, hence, offers its services to all its subsidiaries that require it, including us, allowing faster deployment of procedures across subsidiaries and leveraging off our past experience. We have established an annual anti-money laundering training program, which is mandatory for all our employees. Courses are taught by external training specialists or by the compliance officer. As a result, all of our employees received anti-money laundering training in September 2011.

MANAGEMENT

Board of Directors:

Election of Directors

Mexican Banking Law and our by-laws provide that our board of directors be composed of a minimum of five and a maximum of 15 principal directors. In addition, an alternate director must be appointed for each member of our board of directors. Alternate directors attend board of directors' meetings only when called to substitute for his or her respective member of the board of directors. Alternate directors have attended board of directors' meetings in the past during temporary absences of members or by invitation.

Our board of directors is currently comprised of 10 principal directors and their respective 10 alternate directors. Further, under our by-laws and Mexican law, at least 25% of the members of our board of directors must qualify as "independent" (*i.e.*, not involved in the operation or management of Grupo Financiero Mifel, or any of its subsidiaries). Independent directors must also have alternative directors also qualifying as independent. Under the Mexican Banking Law, the CNBV may contest the shareholders' determination as to the independence of any of our directors.

The members of our board of directors are elected for one year terms at our annual ordinary general shareholders' meeting. Pursuant to Mexican law, members of our board of directors continue to be members of the board of directors despite the expiration of their term until new members have been appointed and assume office. The current members of our board of directors were elected or ratified, as applicable, on April 25, 2012 for a one year term.

The current principal directors and alternate directors of our board of directors are:

Director	Age	Alternate Director
Daniel Becker Feldman (President)	48	Jorge Eduardo Pablo Carrillo Lavat
Israel Feldman Punsky	73	León Feldman Punsky
Martín Máximo Werner Wainfeld	48	José Antonio Moratinos Ayestarán
Enrique Rafael Schon Gritzewsky	59	Alejandro Zichlin Grabelsky
Billy Kopchinsky Libnic	51	Alejandro Sainz Orantes (Independent Director)
Alfredo Achar Toussie (Independent Director)	71	Francisco Javier Valdés López (Independent Director)
Víctor Manuel Lachica Bravo (Independent Director)	49	Diego Martínez Rueda-Chapital (Independent Director)
José Mantecón Gutiérrez (Independent Director)	66	Alejandro Nila Rosales (Independent Director)
Alfonso Tomás Lebrija Guiot (Independent Director)	59	Manuel Ruiz de Chávez Gutiérrez de Velasco (Independent Director)
Jaime Bargalló Fuentes (Independent Director)	77	Victor Manuel Corona Artigas (Independent Director)

The secretary of our board of directors is Luis Alfonso Cervantes Muñiz and the assistant secretary (*prosecretario*) of our board of directors is Jorge Isidro Torres Sánchez.

For purposes of this offering memorandum, the address of all our principal and alternate directors is Presidente Masaryk No. 214, Piso 2, Colonia Polanco Chapultepec, C.P. 11560, Distrito Federal, México.

The members of our board of directors do not receive any payment as compensation for their attendance at each meeting of the board of directors. For the year ended December 31, 2011, the members of our board of directors did not receive any pay as compensation.

Set forth below is a brief account of the business experience of each of the members of our board of directors:

Daniel Becker Feldman has been our CEO since 2003 when he joined the Bank. Mr. Becker served as CEO of *Valorum, Operadora de Sociedades de Inversión, S.A. de C.V.*, a mutual fund and fixed income fund management firm, from 1999 to 2002. From 1994 to 1998, Mr. Becker was managing director and CEO of *Republic National Bank of New York (México), S.A.* From 1992 to 1994, he served as CEO of the financial services holding company *Grupo Financiero Mifel*. He was CEO of *Factoraje Mifel, S.A. de C.V.* from 1989 to 1992. Mr. Becker holds a bachelor's degree in business administration from the *Instituto Tecnológico Autónomo de México* and a masters of business administration ("MBA") from *Instituto Panamericano de Alta Dirección de Empresa*. He has also completed graduate studies in Corporate Finance at the *Instituto Tecnológico Autónomo de México* and in Business Management at Harvard Business School.

Israel Feldman Punsky is a member of our board of directors. He has held management positions for more than 40 years at *Grupo Industrial Feldman* and *Oxval de México, S.A. de C.V.*, two firms that specialize in manufacturing industrial products. From 1983 to 1992, Mr. Feldman was an independent member of the board of directors of *Banco Mexicano Somex, S.A.* Since 1983 he has been an independent member of the board of directors of *BBVA Bancomer, S.A. de C.V*. Since 1995, Mr. Feldman has been the secretary to the executive committee of *Cámara Nacional de la Industria del Hierro y del Acero*. He holds a bachelor's degree in chemical engineering from *Universidad Nacional Autónoma de México*.

Billy Kopchinsky Libnic is a member of our board of directors. From 1992 to 1997, he was the chairman of the board of directors and CEO of *Ensueño Tyco Toys, S.A. de C.V.* He has been the president and CEO of *Compañia Inmobiliaria Ethel, S.A. de C.V.* since 1997. He holds a bachelor's degree in business administration from *Universidad Anáhuac.*

Enrique Rafael Schon Gritzewsky is a member of our board of directors. He is a member of the board of directors of *Inmobiliaria Karine, S.A. de C.V.*, a real estate agency.

Martín Máximo Werner Wainfeld is a member of our board of directors. He was the deputy secretary of the SHCP, from 1997 to 1999. Since 2001 he has been a managing director of *Goldman Sachs Group y Compañia, S. de R.L. de C.V*. He holds a degree in economics from *Instituto Tecnológico Autónomo de México* and a doctorate degree in economics from Yale University.

Alfredo Achar Tussie is a member of our board of directors. He was managing director at *Promotora de Pinturas Comex, S.A. de C.V.* from 1985 to 1988 and a member of the board of directors of Doral Paint, Inc. from 1985 to 1989. Since 1988, Mr. Achar has been the chairman of the board of directors of *Consorcio Comex, S.A. de C.V.* He also serves on the board of directors of *Asociación Mexicana de Instituciones de Asistencia Privada and Fundación Mexicana para el Desarrollo Rural*. Mr. Achar participates in numerous charitable and civic organizations as director and consultant; he received *la Medalla al Mérito Empresarial* awarded by the National Chamber of Commerce of Mexico City, and *el Premio Nacional al Altruismo*, awarded by the Mexican Professionals Association, among other honors.

Víctor Manuel Lachica Bravo is an independent member of our board of directors. He founded *Grupo Comercial Inmobilario*, which merged with *Cushman & Wakefield, Inc*. in 1992 to create *Cushman & Wakefield/GCI*, one of the leading commercial real estate firms in Mexico. Mr. Lachicha currently serves as president and CEO of *Cushman & Wakefield/GCI*. He holds a bachelor's degree in law from *Universidad Nacional Autónoma de México*, as well as a degree in finance from *Instituto Tecnológico Autónomo de México*, and an MBA from *Instituto Panamericano de Alta Dirrección de Empresa.*

José Mantecón Gutiérrez is an independent member of our board of directors. He is managing partner of *Valuemko, S.C.*, a position he has held since 1991. He was the vice president of the *Comisión Nacional de Valores* from 1989 to 1991, director of *ProFirst, S.A. de C.V.* from 1985 to 1989, and director of corporate finance at *Empresas Lanzagorta, S.A. de C.V.* from 1981 to 1985. Mr. Mantecón serves on the board of directors of *Propietario de Covaf, S.A. de C.V.*, *Magamex, S.A. de C.V.*, and *Tranacer, S.A. de C.V.* He holds a bachelor's degree in business administration from the *Universidad Nacional Autónoma de México*, and an MBA from the *Instituto Panamericano de Alta Dirección de Empresa*.

Alfonso Tomás Lebrija Guiot is an independent member of our board of directors. He is a member of the *Instituto Mexicano de Contadores Públicos*, *A.C.* and the *Colegio de Contadores Públicos de México*, he is the managing partner of the firm *HLB Lebrija, Alvarez y Cía., S.C.*, representative of the firm HLB Internacional, he was president of *Instituto Mexicano de Contadores Públicos, A.C*. from 2000 to 2001, and president of CINIF in 2008. Mr. Lebrija holds a bachelor's degree in public accounting from *Universidad Iberoamericana*, and an MBA from *Instituto Tecnológico Autónomo de México*.

Jaime Bargalló Fuentes is an independent member of our board of directors. He is a founding partner and general director of the accounting firm of *Bargalló, Cardoso y Asociados, S.C.* since 1963, where he has held the position of auditor, consultant, advisor, director and statutory auditor (*comisario*) while providing professional services to several corporate client of the firm. He has founded and served on the boards of many professional organizations, including *Academia Mexicana de Auditoría Integral y al Desempeño, A.C*. Mr. Bargalló is a certified public accountant, earning his certification from *Instituto Mexicano de Contadores Públicos, A.C.* He holds a bachelor's degree in accounting and auditing from *Escuela Superior de Comercio y Administración* and studied business organization at Northwestern University.

Luis Alfonso Cervantes Muñiz is the secretary of our board of directors. Prior to founding the law firm of *Cervantes, Aguilar-Alvarez y Sainz, S.C.*, where he currently practices law, Mr. Cervantes was a partner at the Mexican law firms of *Santamarina y Steta, S.C.* and *Jáuregui, Navarrete, Nader y Rojas, S.C*. He has been an active professor of law and currently teaches commercial law and foreign investment law at *Escuela Libre de Derecho*. He currently serves on the board of *Grupo Dixon, S.A. de C.V.* and *Valorum, S.A. de C.V.* Mr. Cervantes holds a bachelor's degree in law from *Escuela Libre de Derecho* and a specialization degree in tax law from *Universidad Panamericana*. He also completed postgraduate studies in private international law at *Escuela Libre de Derecho*.

Jorge Isidro Torres Sánchez has been our executive legal director since 2000. From 1989 to 1990, he worked for a notary. Prior to joining Banca Mifel in 2000, he worked for the legal departments of *Banamex* and *Bital* (currently HSBC). Mr. Torres holds a Bachelor's Degree in Law from the *Universidad La Salle*.

We have several committees, such as our Credit Committee, Internal Credit Committee, Monterrey Regional Consultative Credit Committee, Mortgages Committee, Government Banking Credit Committee, Agricultural Financing Credit Committee, Risk Committee, Compensation Committee, Recovery of Overdue Portfolio Committee, Regulations Committee, Audit Committee, Trust Business Committee, Foreclosed Assets Committee, Communications and Controls Committee, Assets Committee and Technology Committee, which have been created by our board of directors and have various powers and responsibilities.

Credit Committee

Our Credit Committee is appointed by our board of directors. The Credit Committee has powers to assist the board of directors in fulfilling its oversight responsibilities relating to:

- present and emerging risks associated with our loan portfolio;
- the investment portfolio; and
- resolving issues with respect to any of our credit operations.

In addition to the functions and duties mentioned above, as well as any duties expressly delegated by our board of directors, the Credit Committee also performs the following functions:

- reviews and approves any and all amendments or modifications to the requirements, conditions or other provisions relating to the board of directors' general authorization of our lending activities;
- reviews memoranda and other reports provided by our senior management concerning our loan portfolio and investment activities;
- periodically reviews and assesses underwriting policies and guidelines;
- periodically reviews and assesses surveillance and loss remediation policies and guidelines, including those relating to insured credits on the "watch list;"
- periodically reviews, assesses and recommends investment policies, criteria, guidelines and strategies to the board of directors for its approval;
- determines parameters and types of collateral to be received;
- determines whether common credit risks exist; and
- evaluates our performance on an annual basis and reports the results of the evaluation to our board of directors.

Our Credit Committee is entitled to approve credit operations that involve more than Ps.20 million, or its equivalent in other currencies.

The current members of our Credit Committee are:

Members	***Position***
Jaime Bargalló Fuentes	Independent Member
Daniel Becker Feldman	Member
José Antonio Martínez Ochoa	Member
Jorge Isidro Torres Sánchez	Member
Esteban Sánchez Arriaga	Member
José Gómez Vigil	Member
Jorge Navarro Riveros	Member

Internal Credit Committee

Our Internal Credit Committee is entitled to approve any credit in the amount of Ps.1 million up to a maximum amount of Ps.20 million, or its equivalent in other currencies.

Members	***Position***
Daniel Becker Feldman	Member
José Antonio Martínez Ochoa	Member
Esteban Sánchez Arriaga	Member
Oscar Eduardo Fregozo Elizondo	Member

Risk Committee

The Risk Committee reports existing risk levels to our senior management and our board of directors and monitors compliance with risk limits established by our board of directors. The Risk Committee proposes objectives, policies and procedures to our board of directors for the general management of risks and risk exposure limits (on a consolidated basis, for each business unit, and for each type of risk). The Risk Committee also proposes strategies for assigning resources related to the execution of operations to the board of directors.

The Risk Committee approves:

- the methodology to identify, measure, monitor, limit, control and disclose the different types of risks to which we are exposed;
- the models, parameters and scenarios that are used to measure and control risks; and
- the execution of new transactions and services that involve risks.

The Risk Committee appoints a person responsible for the management of the risk unit and reports to our board of directors, at least on a quarterly basis, our risk exposure and the negative consequences that may occur. Likewise, the Risk Committee reports any deviation from the risk limits imposed by the risk policies and the corrective measures that have been implemented.

The current members of our Risk Committee are:

Members	***Position***
José Mantecón Gutiérrez	President
Victor Manuel Lachica Bravo	Member
Daniel Becker Feldman	Member
José Gómez Vigil	Secretary
Invitees	
Antonio Salas Hernández	Guest
Esteban Sánchez Arriaga	Guest
Jorge Isidro Torres Sánchez	Guest
Luis Efrén Ramírez García	Guest
Joaquín Prendes Herrera	Guest
Gloria Montiel Rojas	Guest
Víctor Manuel Hernández Guzmán	Guest

Audit Committee

The purpose, composition, authority and responsibilities of our Audit Committee, which reports to our board of directors, has been established in a charter approved by our board of directors in accordance with Mexican law.

The Audit Committee's primary purpose is to assist our board of directors in defining, verifying and assessing the effectiveness of our internal control system, in overseeing the management and conduct of our business and in supervising compliance with shareholders' resolutions.

The Audit Committee is responsible for following up on external and internal audit activities and keeping the board of directors informed about the performance and activities of our auditors. Moreover, the Audit Committee oversees the preparation of financial reports in accordance with regulations and accounting principles applicable to financial institutions.

The current members of our Audit Committee are:

Members	***Position***
Jaime Bargalló Fuentes	Member
Alfonso Tomás Lebrija Guiot	Member
Billy Kopchinsky Libnic	Member

Principal Officers of the Bank

The following persons are our principal officers:

Name	Position	Age
Daniel Becker Feldman	Chief Executive Officer	48
Victor Alfonso Carrales Gamboa	Finance Executive Director	41
Jorge Isidro Torres Sánchez	Legal Executive Director	42
Fernando Buggs Lomelí	Human Resources and Corporate Services Executive Director	48
Bulmaro Alberto Guzman Ruiz	Markets and Treasury Deputy General Director	47
Francisco Javier López Jiménez	Operations and Marketing Deputy General Director	44
Antonio Salas Hernández	Internal Audit Executive Director	46
Luis Efrén Ramírez García	Information Technologies Deputy General Director	53
Esteban Sánchez Arriaga	Credit Analysis and Portfolio Monitoring Executive Director	53
Jose Antonio Martinez Ochoa	Banking Enterprises Deputy General Director	42
José Gómez Vigil	Risks Director	53
Oscar Eduardo Fregozo Elizondo	Commercial Banking Deputy General Director	48
José Antonio Martínez de la Vega Labra	General Director of the Mutual Funds	33
Angélica Gabriela Noriega Sanchez	General Director of Mifel Sofom	49
Javier Corona Garcia	Accounting Director	50
Joaquín Prendes Herrera	Compliance Executive Officer	47

Each of our principal officers has extensive experience in banking and other industries. Set forth below is biographical information for each of our principal officers:

Daniel Becker Feldman has been our CEO since 2003 when he joined the Bank. Mr. Becker served as CEO of *Valorum, Operadora de Sociedades de Inversión*, *S.A. de C.V.*, a mutual fund and fixed income fund management firm, from 1999 to 2002. From 1994 to 1998, Mr. Becker was managing director and CEO of Republic National Bank of New York (México), S.A. From 1992 to 1994, he served as CEO of the financial services holding company *Grupo Financiero Mifel*. He was CEO of *Factoraje Mifel, S.A. de C.V.* from 1989 to 1992. Mr. Becker holds a bachelor's degree in business administration from the *Instituto Tecnológico Autónomo de México* and an MBA from *Instituto Panamericano de Alta Dirección de Empresa*. He has also completed graduate studies in Corporate Finance at the *Instituto Tecnológico Autónomo de México*.

Víctor Alfonso Carrales Gamboa has been our finance executive director since December 2009. He was our accounting director from July 2008 to December 2009. He has worked in *Bank of America México* as finance director, at Bank of Boston in the finance department and at PricewaterhouseCoopers as audit supervisor. Mr. Carrales has a bachelor's degree in certified public accounting from *Universidad Nacional Autónoma de México*.

Jorge Isidro Torres Sánchez has been our executive legal director since 2000. From 1989 to 1990, he worked for a notary. Prior to joining Banca Mifel in 2000, he worked for the legal departments of *Banamex* and *Bital* (currently HSBC). Mr. Torres holds a Bachelor's Degree in Law from the *Universidad La Salle*.

Fernando Buggs Lomelí has been our human resources and corporate services executive director since 2005. Previously, he was the executive vice president of business development at *Bansefi*, a savings bank operated by the Mexican government, and executive vice president of investment products at *MetLife México, S.A.* from 1999 to 2004. Mr. Buggs holds a bachelor's degree in business administration from *Universidad de Las Américas*. He also completed postgraduate work in management and finance at *Instituto Tecnológico y de Estudios Superiores de Monterrey,* and in human resources at the *Universidad Iberoamericana.*

Bulmaro Alberto Guzmán Ruiz is our markets and treasury deputy general director. He joined Banca Mifel in 2005. After holding several executive positions with *Casa de Bolsa Bursamex, S.A.*, Mr. Guzman was promoted to managing director, where he served from 2002 to 2004. He also held several executive positions at *Probursa, S.A. de C.V.*, and *Actinver, S.A. de C.V.*, two Mexican brokerage firms. Mr. Guzmán holds a bachelor's degree in business administration from *Universidad Iberoamericana* and is certified as an investment strategies advisor (Level III) by *Asociación Mexicana de Intermediarios Bursátiles*.

Francisco Javier López Jiménez is our operations and marketing deputy general director. He joined Banca Mifel in 1993. Over the last fifteen years, he has held several positions at Banca Mifel, such as marketing manager and executive director of new products. Mr. Lopez is also an assistant professor at *Universidad Panamericana*, where he teaches in the masters program of communications. Mr. Lopez holds a bachelor's degree in economics from *Universidad Panamericana* and an MBA from *Instituto Panamericano de Alta Dirección de Empresa*. He has completed graduate studies in corporate finance at *Instituto Tecnológico Autónomo de México*.

Antonio Salas Hernández has been our internal audit executive director since 2009. From 2007 to 2008 he was corporate director of internal audit at *Grupo Financiero Interacciones*. From 2005 to 2007 he was audit and transactional general director at *Grupo Financiero HSBC Mexico*. Also, from 2003 to 2004 he was methods and procedures director at *Banco Azteca*. Additionally, he held the post of management and organization expenditure director at *Grupo Financiero Serfin* from 1999 to 2002 and held various positions, such as audit manager from 1994 to 1999, auditor from 1987 to 1994 and executive credit from 1984 to 1987. Mr. Salas holds a bachelor's degree accounting from *Escuela Bancaria y Comercial* and has degrees in accounting and auditing, finance and human development.

Luis Efrén Ramírez García has been our information technologies deputy general director since joining Banca Mifel in February 2007. Mr. Ramirez has 26 years of experience in the banking sector, mainly at *Banca Serfin, S.A. ("Serfin")*, where he served as vice president of the domestic electronic payment network from 1979 to 2001. He implemented *Serfin's* ATM network of nearly 400 teller machines, and oversaw a technological overhaul of bank processes including implementation of Serfin's website. From 2002 to 2006 he was the chief information officer of the *Secretaría de Hacienda y Crédito Público*, reporting directly to the Mexican Secretary of Finance. Mr. Ramírez holds a bachelor's degree in cybernetic engineering and computer science from *Universidad La Salle* as well as an MBA from *Instituto Tecnológico Autónomo de Mexico*. He also holds diplomas in systems administrations from *Instituto Tecnológico de Estudios Superiores de Monterrey* and Georgetown University.

Esteban Sánchez Arriaga has been our credit analysis and portfolio monitoring executive director since 2003. Mr. Sanchez has been in the banking sector since 1978, reaching executive positions with Banamex, S.A. and Banco Mercantil. Mr. Sánchez holds a bachelor's degree in management from *Universidad Autónoma Metropolitana* and holds finance and risk management diplomas from *Instituto Tecnológico Autónomo de México.*

Jose Antonio Martinez Ochoa has been our banking enterprises deputy general director since 2004. From 1997 to 2004 he served as financial engineering and credit recovery general director, and held the positions of financial engineering director in 1996 and credit director in 1994 at *Banco Union*. He also held the position of international director at *Nacional Financiera S.N.C.* from 1991 to 1994. Mr. Martinez Ochoa holds a bachelor' degree in actuarial sciences from *University Anahuac* and has an MBA from *Instituto Tecnológico Autónomo de México*.

José Gómez Vigil has been risk director since he joined Banca Mifel in June 2010. Previously he worked at *Grupo Financiero Multiva* from 1985 to 2010. His position at *Grupo Financiero Multiva* was that of risk director. He has taken several courses related to risk management. He holds a bachelor's degree in actuarial sciences from *Universidad Nacional Autónoma de México*.

Oscar Eduardo Fregozo Elizondo has been commercial banking deputy general director since April 2010. Previously, he was commercial banking director from October 2008 to April 2010. He worked at *Grupo Financiero Multiva* as a promotional deputy general director. Mr. Fregozo has an MBA, a bachelor's degree in psychology and has taken several finance courses.

José Antonio Martínez de la Vega Labra has been general director of the Operating Company of Investment Companies since August 2011. Mr. Martinez de la Vega joined Banca Mifel in 2005. He has experience operating, promoting and managing money market, analyzing financial and credit risks and setting investment strategies. Before joining Banca Mifel, Mr. Martinez de la Vega worked as an equity analyst for *Ixe Casa de Bolsa, S.A. de C.V., Grupo Financiero Ixe* and as a debt analyst for *Interacciones Casa de Bolsa, S.A. de C.V., Grupo Financiero Interacciones*. Mr. Martínez has a MBA from *Instituto Panamericano de Alta Dirección de Empresa* and is currently pursuing an MBA in finance. He has taken several courses that include, among others, financial analysis, valuation and quantitative finance. He is a certified money market operator, receiving certification from *Asociación Mexicana de Intermediarios Bursátiles*.

Angelica Gabriela Noriega Sanchez has been the general director of Mifel Sofom since 2010. From 2007 to 2009, she was an assistant director of business development at *Bancomext, CNS*. From 2000 to 2001, she was the promotion deputy director of the brokerage firm at *Banco Santander Serfin*. From 1998 to 2000, she held the position of promotion deputy director at *Grupo Financiero Interacciones.* From 1997 to 1998, she held the position of corporate banking assistant director at *Banco del Atlántico*. From 1990 and 1997, she was the international development deputy director at *Grupo Financiero Bancomer, SA*. Gabriela Noriega holds a bachelor's degree in business administration from *Universidad Del Valle de Mexico* and has a masters in international business from the *Instituto Tecnologico de Estudios Superiores Monterrey*. She has degrees in insurance and risk, international trade, international business, corporate finance and credit.

Javier Corona García has been our accounting director since September 2011. Before that, he was our fiscal deputy manager from 1995 to 2011. He has worked in several accounting firms such as *Bargalló Cardoso & Asociates, Sallez Saenz S.C.* and, *Gossler S.C.* Mr. García has wide experience in accounting issues, accounting audits, taxes and financial statements, among other matters. He holds a bachelor's degree with a specialty in tax and is a certified public accountant, earning both his degree and certification from *Universidad Nacional Autónoma de México*. He holds a degree in taxes by *Colegio de Contadores Públicos de México* and he has taken several courses related to accounting, taxes, and accounting audits, among other subjects.

Joaquín Prendes Herrera has been our compliance executive officer since August 2011. Previously, he was our compliance officer from April 2009 to July 2011. Before joining Banca Mifel, Mr. Prendes worked at the CNBV for 17 years, where he held several positions. In the past, he held the position of General Director of Supervision of Financial Specialized Intermediaries within the CNBV, where he developed compliance programs based on financial, legal and risk information, as well as money laundering prevention plans. He holds a bachelor's degree in business administration and an MBA, both from the *Universidad Iberoamericana*. Mr. Prendes also holds two diplomas, one in corporate finance and the other one in market finance, both from the *Instituto Tecnológico Autónomo de México*.

Statutory Auditors

In addition to our board of directors, our by-laws provide for, and Mexican law requires, a statutory auditor to be designated at a meeting of shareholders and, if determined at such meeting, an alternate statutory auditor. Under Mexican law, the duties of statutory auditors include, among other things, the examination of the operations, books, records and financial statements (including income statements) and any other documents of a company and the presentation of a report of such examination at the annual ordinary general meeting of shareholders.

José Carlos Cardoso Castellanos is our statutory auditor.

RELATED PARTY TRANSACTIONS

Certain of our directors, officers and affiliates have been involved in certain transactions with us as permitted by the Mexican Banking Law. The Mexican Banking Law regulates transactions by a bank with affiliates and other "related party transactions" and limits the aggregate amount of these transactions to 50% of the Tier 1 capital of the previous third month behind. Related party transactions may only be undertaken on market terms. As of December 31, 2011, the aggregate amount of loans to related parties were Ps.470.0 million and represented 33.81% of our December 31, 2011 Tier 1 capital.

Articles 73, 73 Bis and 73 Bis 1 of the Mexican Banking Law regulate and limit our loans to related parties, including loans to (i) holders of 2% or more of our shares or the shares of Grupo Financiero Mifel or of an affiliate of Grupo Financiero Mifel; (ii) members and alternate members of our Board of Directors, or of the Board of Directors of Grupo Financiero Mifel or of an affiliate of Grupo Financiero Mifel; (iii) relatives of a Board member or of a 2% or more shareholder mentioned in (i) and (ii) above; (iv) any person not an officer or employee of us who is empowered to bind us contractually; (v) an entity in which we or any of our directors or officers, or any of the persons included in (i) to (iv), holds, directly or indirectly, 10% or more of the outstanding capital stock; and (vi) board members, officers and employees of entities mentioned in (v) above. A 75% majority of non-conflicted members of our Board of Directors present at the relevant Board meeting must approve such loans. Prior to such approval, however, the loan must undergo our customary review procedures for loans, which vary depending on the nature and amount of the loan, except that such loans must always be reviewed and recommended by the Credit Committee. Loans for amounts of less than 2 million UDIs, or 1% of our Tier 1 capital, whichever is greater, do not require Board approval. In addition, certain filings must be made with the CNBV with respect to such loans.

In 2003, we entered into administrative services agreements with Factoraje Mifel and Arrendadora Mifel (both currently and collectively referred to as Mifel Sofom), as well as Operadora Mifel pursuant to which such affiliates outsourced certain administrative services to us in exchange for annual payments in the amounts of Ps.1 million and Ps.30 million, respectively. These services include payroll management, personnel, and human resources. The fees are adjusted on an annual basis.

As of December 31, 2009, 2010 and 2011, loans granted to related parties pursuant to Article 73 of the Mexican Banking Law amounted to (nominal figures) Ps.405 million, Ps.513 million and Ps.470 million, respectively 2.99%, 3.33% and 3.42%, respectively, of our total loan portfolio as of such dates).

Of the total loans granted to related parties, as of December 31, 2011, Ps.9 million were outstanding with our directors or indirect shareholders, Ps.421 million were outstanding with affiliates of our directors or indirect shareholders, and Ps.40 million were outstanding with our affiliates.

As of December 31, 2011, 99.99% of our capital stock was owned by Grupo Financiero Mifel. Accordingly, Grupo Financiero Mifel is in a position to elect all of our directors and otherwise control the management and affairs of Banca Mifel. The table below sets forth the ownership of our capital stock as of December 31, 2011:

Shareholder	Series O Shares Owned	Percentages
Grupo Financiero Mifel	539,991	99.9983%
Daniel Becker Feldman	9	0.00017%
Total:	540,000	100%

SUPERVISION AND REGULATION

The following is a summary of certain matters relating to the Mexican banking system, including provisions of Mexican law and regulations applicable to financial institutions in Mexico. This summary is not intended to constitute a complete analysis of all laws and regulations applicable to financial institutions in Mexico.

Introduction

Our operations are primarily regulated by the Mexican Banking Law, and the rules issued thereunder by the SHCP and the CNBV, as well as rules issued by *Banco de México* and the IPAB. The authorities that supervise our operations are the SHCP, *Banco de México* and the CNBV.

The SHCP, either directly or through the CNBV, whose role has been expanded and improved, possesses broad regulatory powers over the banking system. Banks are required to report regularly to the financial regulatory authorities. Reports to bank regulators are often supplemented by periodic meetings between senior management of the banks and senior officials of the CNBV. Banks must submit their unaudited monthly and quarterly and audited annual financial statements to the CNBV for review and must publish on their website and in a national newspaper their unaudited quarterly balance sheets and audited annual balance sheets. The CNBV may order a bank to modify and republish such balance sheets.

Additionally, banks must publish on their website, among other information:

- the bank's basic consolidated and audited annual financial statements, together with a report containing the management's discussion and analysis of the financial statements and the bank's financial position, including any important changes thereto and a description of the bank's internal control systems;
- a description of the bank's board of directors, identifying independent and non-independent directors and their resumes;
- the total sum of compensation and benefits granted to the members of the board of directors and senior officers during the past year;
- unaudited quarterly financial statements for the periods ending March, June and September of each year, together with any comments thereon;
- any information requested by the CNBV to approve the accounting criteria and special registries;
- a detailed explanation regarding the main differences in the accounting used to prepare the financial statements;
- the credit rating of their portfolio;
- the capitalization level of the bank, its classification (as granted by the CNBV) and any modifications thereto;
- financial ratios;
- a brief summary of the resolutions adopted by any shareholders' meeting, debenture holders' meeting, or by holders of other securities or instruments; and
- the bank's by-laws.

The CNBV has authority to impose fines for failing to comply with the provisions of the Mexican Banking Law, or regulations promulgated thereunder. In addition, *Banco de México* has authority to impose certain fines and administrative sanctions for failure to comply with the provisions of the *Ley del Banco de México* (the "Law of *Banco de México*") and regulations that it promulgates (primarily dealing with foreign exchange, derivatives and permissible liabilities) as well as the Laws for the Transparency and Ordering of Financial Services (*Ley para la Transparencia y Ordenamiento de los Servicios Financieros*) particularly as violations relate to interest rates, fees and the terms of disclosure of fees charged by banks to clients. Violations of specified provisions of the Mexican Banking Law are subject to administrative sanctions and criminal penalties.

Licensing of Banks

Authorization of the Mexican government is required to conduct banking activities. The CNBV, with the approval of its governing board and subject to the prior favorable opinion of *Banco de México*, has the power to authorize the establishment of new banks, subject to minimum capital standards, among other things. Approval of the CNBV is also required prior to the opening, closing or relocating offices, including branches, of any kind outside of Mexico or transfer of assets or liabilities between branches.

Intervention

The CNBV, with the approval of its governing board, may declare managerial intervention of a banking institution pursuant to Articles 138 through 149 of the Mexican Banking Law (a "CNBV Intervention"). IPAB may also appoint an *administrador cautelar* or peremptory manager if IPAB shall provide liquidity to a banking institution.

A CNBV Intervention pursuant to Articles 138 through 149 of the Mexican Banking Law, will only occur when (i) during a calendar month, the capital ratio of a bank is reduced from a level equal to or above the minimum Capital Ratio required under the Mexican Capitalization Rules, to 50% or less than such minimum Capital Ratio or (ii) a bank does not comply with any minimum corrective measure ordered by the CNBV pursuant to Article 134 Bis 1 and related Articles of the Mexican Banking Law, does not comply with more than one additional special corrective measures ordered by the CNBV pursuant to such Article 134 Bis 1 and related Articles or consistently does not comply with any such additional corrective measures ordered by the CNBV and, in the case of this clause (ii), it does not submit itself to the conditional management regime described under "—Improved Framework to Resolve/Support Commercial Banking Institutions—Financial Support—Conditional Management Regime." In addition, a CNBV Intervention may occur when the CNBV in its sole discretion, determines the existence of irregularities that affect the stability or solvency of the bank or the interest of the public generally or the bank's creditors.

As indicated above, a peremptory manager may also be appointed by the IPAB, if the IPAB has granted extraordinary financial support to a bank in accordance with the Mexican Banking Law. The peremptory manager appointed by IPAB will assume the authority of the board of directors. The peremptory manager will have the authority to represent and manage us with the broadest powers under Mexican law and will not be subject to our board of directors or our shareholders. The appointment of the peremptory manager must be registered in the Public Registry of Commerce of the corresponding domicile.

IPAB

The IPAB Law, which became effective January 20, 1999, provides for the creation, organization and functions of the IPAB, the new bank savings protection agency. IPAB is a decentralized public entity that regulates the financial support granted to banks for the protection of bank deposits.

Only in exceptional cases may IPAB grant financial support to banking institutions. For a detailed description of the financial support that may be granted by IPAB, see "—Improved Legal Framework to Resolve/Support Commercial Banking Institutions."

IPAB will manage and sell the loans, rights, shares and any other assets that it acquires to perform its activity according to the IPAB Law, in order to maximize their recovery value. IPAB must ensure that the sale of such assets is made through open and public procedures. The Mexican President is required to present annually a report to Congress prepared by IPAB with a detailed account of the transactions conducted by IPAB in the prior year.

IPAB has a governing board of seven members: (i) the Minister of Finance and Public Credit, (ii) the Governor of *Banco de México*, (iii) the President of the CNBV and (iv) four other members appointed by the President of Mexico, with the approval of two-thirds of the Senate.

The deposit insurance to be provided by IPAB to a bank's depositors will be paid upon determination of the dissolution and liquidation, or bankruptcy of a bank. IPAB will act as liquidator or receiver in the liquidation, or bankruptcy of banks, either directly or through designation of a representative. IPAB will guarantee obligations of banks to certain depositors and creditors only up to the amount of 400,000 UDIs (or approximately U.S.$140,332 as of December 31, 2006), per person per bank.

IPAB will not guarantee (i) deposits and loans constituting negotiable instruments and bearer promissory notes, (ii) liabilities to financial institutions or subsidiaries of the bank, (iii) liabilities not incurred in the ordinary course of business and related party transactions, or (iv) liabilities assumed in bad faith or in connection with money laundering or other illegal activities.

Banks have the obligation to pay IPAB ordinary and extraordinary contributions, as determined from time to time by the governing board of IPAB. Under IPAB Law, banks are required to make monthly ordinary contributions to IPAB, at least equal to 1/12 of 0.004% multiplied by the average of the daily outstanding liabilities of the respective bank in a specific month, less (i) term bonds held issued by other commercial banks; (ii) financing granted to other commercial banks; (iii) financing received from IPAB; (iv) subordinated debentures that are mandatorily convertible to shares representative of the capital stock of the bank and (v) restricted assets and liabilities resulting from the repurchase transactions (*reportos*) and lending of securities with the same counterparty, pursuant to the provisions issued by IPAB.

IPAB's governing board also has the authority to impose extraordinary contributions in the case that, given the conditions of the Mexican financial system, IPAB does not have available sufficient funds to comply with its obligations. The determination of the extraordinary contributions is subject to the following limitations: (i) may not exceed, on an annual basis, the amount equivalent to 0.003% multiplied by the total amount of the liabilities outstanding all of the banking institutions and (ii) the aggregate amount of the ordinary and extraordinary contributions may not exceed, in any case, on an annual basis, an amount equivalent to 0.008% multiplied by the total amount of all the liabilities outstanding of banking institutions.

The Mexican Congress allocates funds to IPAB on a yearly basis to manage and service the IPAB's liabilities. In emergency situations, IPAB is authorized to incur additional financing every three years in an amount not to exceed 6% of the total liabilities of Mexican banks.

Improved Framework to Resolve/Support Commercial Banking Institutions

In July 2006, certain amendments to the Mexican Banking Law, the Banking Deposit Insurance Law (*Ley de Protección al Ahorro Bancario*, the "IPAB Law") and the Financial Groups Law (*Ley para Regular las Agrupaciones Financieras*) were enacted by the Mexican Congress in order to provide an improved legal framework to resolve and grant financial support to commercial banking institutions undergoing financial difficulties.

Resolution and Payment of Guaranteed Obligations

Revocation of Banking License. If the CNBV revokes a license to organize and operate as a banking institution, IPAB's governing board will determine the manner under which the corresponding banking institution shall be dissolved and liquidated in accordance with Articles 122 Bis 16 through 122 Bis 29 of the Mexican Banking Law. In such a case, IPAB's governing board may determine to carry out the liquidation through any or a combination of the following transactions: (i) transfer the liabilities and assets of the banking institution in liquidation to another banking institution directly or indirectly through a trust set up for such purposes; (ii) constitute, organize and manage a new banking institution owned and operated directly by IPAB with the exclusive purpose of transferring the liabilities and assets of the banking institution in liquidation; or (iii) any other alternative that may be determined within the limits and conditions provided by the Mexican Banking Law that IPAB considers as the best and least expensive option to protect the interest of bank depositors.

Causes to Revoke a Banking License. The above-mentioned amendments significantly expand the events upon which the CNBV may revoke a banking license. The following are among the most relevant events:

(i) If the banking institution is dissolved or initiates liquidation or bankruptcy procedures (*concurso mercantil* or *quiebra*).

(ii) If the banking institution (a) does not comply with any minimum corrective measures ordered by the CNBV pursuant to Article 134 Bis 1 of the Mexican Banking Law; (b) does not comply with any special corrective measure ordered by the CNBV pursuant to such Article 134 Bis 1 or (c) consistently does not comply with an additional special corrective measure ordered by the CNBV.

(iii) If the banking institution does not comply with the minimum Capital Ratio required under the Mexican Banking Law and the Mexican Capitalization Rules.

(iv) If the banking institution defaults with respect to any of the following payment obligations: (a) in the case of obligations in an amount greater than 20,000,000 UDIs or its equivalent: (1) loans granted by other banking institutions, foreign financial institutions or *Banco de México* or (2) payments of principal or interest on securities issued that have been deposited with a clearing system and (b) in the case of obligations in an amount greater than 2,000,000 UDIs or its equivalent, if during two business days or more, (1) it does not pay its obligations with one or more participants in clearing systems or central counterparts or (2) it does not pay in two or more of its branches banking deposits claimed by 100 or more of its clients.

Upon publication of the resolution of the CNBV revoking a banking license in the Official Gazette of Mexico and two newspapers of wide distribution in Mexico and registration of such resolution with the corresponding Public Registry of Commerce, the relevant banking institution will be dissolved and liquidation shall commence. Upon liquidation or the declaration of bankruptcy (*concurso mercantil*) of a banking institution, IPAB shall proceed to make payment of all “guaranteed obligations” of the relevant banking institution in accordance with the terms and conditions set forth in the Mexican Banking Law and the IPAB Law.

Obligations of a banking institution in liquidation that are not considered “guaranteed obligations” pursuant to the IPAB Law and that are not effectively transferred out of the insolvent banking institution, will be treated as follows:

(i) term obligations will become due (including interest accrued);

(ii) unpaid principal amounts interest and other amounts due in respect of unsecured obligations denominated in pesos or UDIs will cease to accrue interest;

(iii) unpaid principal amounts interest and other amounts due in respect of unsecured obligations denominated in foreign currencies, regardless of their place of payment, will cease to accrue interest and will be converted into pesos at the prevailing exchange rate determined by *Banco de México*;

(iv) secured liabilities, regardless of their place of payment, will continue to be denominated in the agreed currency and will continue to accrue ordinary interest up to an amount of principal and interest equal to the value of the assets securing such obligations;

(v) obligations subject to a condition precedent shall be deemed unconditional; and

(vi) obligations subject to a condition subsequent shall be treated as if the condition had occurred, and the relevant parties will have no obligation to return the benefits received during the period in which the obligation subsisted.

Liabilities owed by the banking institution in liquidation will be paid in the following order of preference: (i) liquid and enforceable labor liabilities; (ii) secured liabilities; (iii) tax liabilities; (iv) liabilities to IPAB as a result of the partial payment of obligations of the banking institution supported by IPAB in accordance with the Mexican Banking Law; (v) bank deposits, loans and credits as provided by Article 46 Sections I and II of the Mexican Banking, to the extent not transferred to another banking institution, as well as any other liabilities in favor of IPAB different from those referred to clause (iv) above; (vi) any other liabilities other than those referred to in the following clauses; (vii) preferred subordinated debentures; (viii) non-preferred subordinated debentures; and (ix) remaining amounts, if any, shall be distributed to stockholders.

Financial Support

Determination by the Financial Stability Committee. The newly created Financial Stability Committee (the "FSC") includes representatives of the SHCP, *Banco de México*, the CNBV and IPAB. If the FSC determines that a bank were to default on its payment obligations and such default may (i) generate severe negative effects in one or more commercial banks or other financial entities, endangering their financial stability or solvency, and such circumstance may affect the stability or solvency of the financial system; or (ii) put the operation of the payments system at risk, then the FSC may determine on a case-by-case basis that a general percentage of all of the outstanding obligations of the troubled bank that are not considered "guaranteed obligations" under the IPAB Law and "guaranteed obligations" in amounts equal to or higher than the amount set forth under Article 11 of the IPAB Law (400,000 UDIs per person per entity) be paid as a means to avoid the occurrence of any of such circumstances. Notwithstanding the above, under no circumstance may the transactions referred to in Sections II, IV and V of Article 10 of the IPAB Law (which include transactions such as liabilities or deposits in favor of shareholders, members of the board of directors and certain top level officers and certain illegal transactions) or the liabilities derived from the issuance of subordinated debentures be covered or paid by IPAB or any other Mexican governmental agency.

Types of Financial Support. If the FSC makes the determination referred to in the prior paragraph, then IPAB's governing board will determine the manner according to which the troubled commercial bank will receive financial support, which may be through either of the following options:

(a) If the FSC determines that the full amount of all of the outstanding liabilities of the relevant troubled bank (guaranteed and non-guaranteed) must be paid, then the financial support may be implemented through (i) capital contributions granted by IPAB in accordance with Articles 122 Bis 2 through 122 Bis 6 of the Mexican Banking Law or (ii) credit support granted by IPAB in accordance with Articles 122 Bis 7 through 122 Bis 15 of the Mexican Banking Law, and in either case the CNBV shall refrain from revoking the banking license granted to such commercial bank.

(b) If the FSC determines that less than the full amount of all the outstanding liabilities of the troubled commercial bank (guaranteed and non-guaranteed) must be paid, then the support will

consist of transferring the assets and liabilities of such bank to any third party, as set forth in Articles 122 Bis 27 or 122 Bis 29 of the Mexican Banking Law.

Conditional Management Regime. As an alternative to revoking the banking license, a new conditional management regime was created, which can be applied to commercial banks with a Capital Ratio below the minimum required pursuant to the Mexican Capitalization Rules. To adopt this regime, the relevant bank, with prior approval of its shareholders, must voluntarily request from the CNBV the application of the conditional management regime. In order to qualify for such regime, the relevant commercial bank should (i) deliver to the CNBV a plan for the reconstitution of its capital and (ii) transfer at least 75% of its shares to an irrevocable trust.

Banking institutions with a Capital Ratio equal to or below 50% of the minimum Capital Ratio required by the Mexican Capitalization Rules may not adopt the conditional management regime.

Capitalization

The minimum subscribed and paid-in capital for banks is set in accordance with the transactions in which it may engage. Pursuant to the General Rules Applicable to Mexican Banks, banks may participate in any of the activities and render the services as provided under Article 46 of the Mexican Banking Law, as well as those permitted under other laws. Applicable corporate by-laws of all banks shall provide for the performance of at least one credit activity and one funding activity.

The minimum equity capital required for banks that engage in all banking activities under the Mexican Banking Law (such as Banca Mifel) is 90,000,000 UDIs (approximately Ps.422.21 million as of December 31, 2011). The minimum equity capital may vary from 54,000,000 UDIs to 36,000,000 UDIs for limited-purpose banks, however, depending on the activities each bank is allowed to carry out.

Banks are required to maintain a net capital (*capital neto*) relative to market risk, risk-weighted assets incurred in its operation and operation risk, which may not be less than the capital required in respect of each type of risk. The Mexican Capitalization Rules set forth the methodology to determine the net capital relative to market risk, risk weighted assets and operations risk. Under the relevant regulations, the CNBV may impose additional capital requirements and *Banco de México* may, with the CNBV's recommendation, grant temporary exemptions to such requirements. See “Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital.”

The Mexican Capitalization Rules provide capitalization standards for Mexican banks similar to international capitalization standards, particularly with respect to the recommendations of the Basel Committee on Banking Supervision (although Mexico does not fully implement such requirements) and has not fully implemented the last amendment.

Under the Mexican Capitalization Rules, Mexican banks are required to maintain a minimum Capital Ratio of 10% to avoid the imposition of any of the corrective measures described below. Aggregate net capital consists of Tier 1 capital and Tier 2 capital. At all times, Tier 1 capital must represent at least 50% of our aggregate net capital. The Mexican Capitalization Rules subtract from Tier 1 capital, among other things, certain subordinated debt instruments, capital investments in certain financial entities and in non-financial, non-publicly traded companies, certain investments in the equity of venture-capital funds and investments in related companies’ reserves pending creation, loans and other transactions contravening applicable law and other intangibles (including goodwill).

The Mexican Capitalization Rules authorize banks to issue capitalization instruments. The proceeds from these instruments may constitute Tier 1 or Tier 2 capital depending on their terms. However, such proceeds may only qualify as Tier 1 capital up to an amount not greater than 15% of aggregate net Tier 1 capital (without taking into account other convertible and non-convertible subordinated debentures).

Failure to meet the capital requirements may result in the imposition of certain corrective measures, such as suspension of payment of dividends to shareholders and bonuses to high level executives, and suspension of payment of interests or principal due under capitalization instruments. We are in compliance with all applicable Mexican Capitalization Rules.

Every Mexican bank must create certain legal reserves (*fondo de reserva de capital*), included as part of Tier 1 capital, in addition to any regulatory reserves. Banks must allocate 10% of their net income to such reserve each year until the legal reserve equals 100% of their paid-in capital (without adjustment for inflation). The balance of net income, to the extent not distributed to shareholders, is added to the retained earnings account. Under Mexican law, dividends may not be paid out of the legal reserve. As of December 31, 2011, we had set aside Ps.100 million in legal reserves compared to paid-in capital of Ps.1,171 million (without adjustment for inflation).

In particular, on July 26, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, reached broad agreement on the overall design of a capital and liquidity reform package for internationally active banking organizations around the world, known as Basel III, which includes, among other things, the definition of capital, the treatment of counterparty credit risk, the leverage ratio and the global liquidity standard. On September 12, 2010, the Basel Committee announced a substantial strengthening of existing capital requirements in connection with Basel III. The full text of the Basel III rules and the results of a quantitative impact study to determine the effects of the reforms on banking organizations were published on December 16, 2010.

While the short- and long-term impact of any implementation of Basel III in Mexico remains uncertain, Basel III is expected to impose higher minimum capital requirements on banking institutions, as well as a capital conservation buffer that can be used by banks to absorb losses during periods of financial and economic stress. We cannot predict the extent to which any of the Basel framework will be implemented under Mexican law, nor can we foresee how any such regulation might impact our business, financial condition or results of operations. It is possible that higher capital requirements in the future as a result of such regulation could cause our capital ratios to be insufficient for regulatory purposes, however, and could lead us to engage in capital conservation measures or may require us to raise more equity, which may lead to dilution of earnings and lower return on equity.

Corrective Measures

Pursuant to the Mexican Capitalization Rules, the CNBV classifies Mexican banks in several categories based on their Capital Ratio and orders corrective measures to prevent and correct problems that may affect the stability or solvency of banks if a bank fails to meet the minimum required Capital Ratio.

Reserve and Compulsory Deposit Requirements

The compulsory reserve requirement is one of the monetary policy instruments used as a mechanism to control the liquidity of the Mexican economy to reduce inflation. The objective of the *Banco de México's* monetary policy is to maintain the stability of the purchasing power of the Mexican peso and in this context, to maintain a low inflation level. Given the historic inflation levels in Mexico, the efforts of the *Banco de México* have been directed towards a restrictive monetary policy.

Under the Mexican Banking Law, the *Banco de México* has the authority to order the percentage of the liabilities of financial institutions that must be deposited in interest or non-interest-bearing deposits with the *Banco de México*. These deposits may not exceed 20% of the aggregate liabilities of the relevant financial institution. The *Banco de México* also has the authority to order that 100% of the liabilities of Mexican banks resulting from specific funding purposes, or pursuant to special legal regimes, be invested in specific assets created in respect of any such purpose or regime.

To manage its maturity exposures to the Mexican financial markets, the *Banco de México* has been extending the maturities of its liabilities for longer terms to avoid the need for continuing refinancing of its liabilities. Those liabilities have been restructured into voluntary and compulsory deposits (*Depósitos de Regulación Monetaria*), and into investment securities such as longer-term government bonds (*Bondes*) and compulsory monetary regulatory bonds (*Brems*). At the same time, the *Banco de México* has elected to hold short-term assets, thus allowing it the ability readily to refinance its positions of assets and reduce its maturity exposure to the financial markets.

The *Banco de México* imposes reserve and compulsory deposit requirements on Mexican commercial banks. Bulletin 36/2008, published on August 1, 2008, stated that the total compulsory reserve deposit required of Mexican commercial banks was Ps.280 billion, which had to be deposited in eight installments by eight deposits of Ps.35 billion each on August 21 and 28; September 4, 11, 18 and 25; and October 2 and 9, 2008. The amount of the deposit that each bank had to make was determined based on each bank's pro rata share of total Mexican financial institution time deposits allocated as of May 31, 2008.

The compulsory deposit reserves required under the terms of the Bulletin 36/2008 have an indefinite term. During the time these reserves are maintained on deposit with the *Banco de México*, each banking institution receives interest on such deposits every 28 days. The *Banco de México* will provide advance notice of the date and the procedure to withdraw the balance of these compulsory deposits at such time, if any, that the compulsory deposit reserves are suspended or terminated.

Classification of Loans and Allowance for Loan Losses

The Loan Classification and Rating Rules set forth under the General Rules Applicable to Mexican Banks, provide a methodology to classify (i) consumer loans (i.e., each of credit card exposure and loans to individuals, divided as separate groups), considering as principal elements (a) for credit card exposure, the possibility of non-payment and potential losses (taking into account collateral received), and (b) for loans to individuals, the possibility of non-payment, potential losses (taking into account collateral received), and credit exposure (net of reserves created); (ii) mortgage loans (i.e., residential, including loans for construction, remodeling or improvements), considering as principal elements delinquency periods, possibility of non-payment and potential losses (taking into account collateral and guarantees received); and (iii) commercial loans, based principally on an evaluation of the borrower's ability to repay its loan (including country risk, financial risk, industry risk and payment history) and an evaluation of the related collateral and guarantees. Although the Loan Classification and Rating Rules also permit banks, subject to prior approval by the CNBV, to develop and adopt specific internal procedures within certain parameters to grade the loans in their loan portfolio, we follow the methodology set forth in the Loan Classification and Rating Rules.

The Loan Classification and Rating Rules require that consumer loans to individuals be stratified, considering the number of unpaid billing periods applicable to the relevant loans, and that a statutory percentage be applied to loans that are past due for each level, as a means to create reserves; reserves may be decreased as the maturity of the applicable loan approaches and past due payments are made. Credit card loans must be reserved, on a loan-by-loan basis, considering amounts due, amounts paid to the relevant date, credit limits, and minimum payments required. Consumer loans to individuals may be classified as A, B, C, D or E, depending upon the percentage of reserves required (from 0% to 100%); credit card consumer loans may be classified as A, B-1, B-2, C, D or E, also depending upon the percentage of reserves required.

Under the Loan Classification and Rating Rules, mortgage loans must also be stratified, considering the number of unpaid monthly installments applicable to the relevant loans and a statutory percentage must be applied to loans that are past due for each level, as a means to create reserves; reserves may be decreased in respect of restructured mortgage loans. Mortgage loans to individuals may be classified as A, B, C, D or E, depending upon the percentage of reserves required (ranging from 0% to 100%).

The Loan Classification and Rating Rules establish the following categories corresponding to levels of risk and applicable reserves and set forth procedures for the grading of commercial loans: A-1, A-2, B-1, B-2, B-3, C-1, C-2, D and E.

The grading of commercial loan portfolios is determined by an analysis of the financial risk, industry risk, country risk and the credit experience, which include the following risk factors: financial structure and payment capacity, sources of financing, administration and decision making, integrity of the financial information, market position and the specific collateral or guarantees that cover the credits.

The Loan Classification and Rating Rules require that Mexican banks grade their commercial loan portfolio (except loans made to or guaranteed by the Mexican federal government) as of the end of each quarter and the classification must be reported to the CNBV. The classification of mortgage and consumer loans is required to be made monthly and reported to the CNBV.

The loan loss reserves are held in a separate account on our balance sheet and all write-offs of uncollectible loans are charged against this reserve. Mexican banks are required to obtain authorization from their board of directors to write-off loans. In addition, Mexican banks are required to inform the CNBV after such write-offs have been recorded.

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

Liquidity Requirements for Foreign Currency-Denominated Liabilities

Pursuant to regulations of the *Banco de México*, the total amount of maturity-adjusted (by applying a factor, depending upon the actual maturity of the relevant liability) net liabilities denominated or indexed to foreign currencies that Mexican banks, their subsidiaries or their foreign agencies or branches may maintain (calculated daily), is limited to 1.83 times the amount of their Tier 1 capital. To calculate such limit, maturity-adjusted foreign currency-denominated or indexed assets (including liquid assets, assets with a maturity of less than one year, short term derivatives and spot foreign exchange transactions) are subtracted from maturity-adjusted foreign currency-denominated or indexed liabilities and the aforementioned factor is applied to the resulting amount.

The maturity-adjusted net liabilities of Mexican banks denominated or indexed to foreign currencies (including dollars) are subject to a liquidity coefficient (i.e., to maintaining sufficient foreign currency-denominated or indexed liquid assets). These permitted liquid assets include, among others:

- U.S. dollar-denominated cash or cash denominated in any other currency freely convertible;
- deposits with the *Banco de México*;
- treasury bills, treasury bonds and treasury notes issued by the United States government or debt certificates issued by agencies of the United States government, which have the unconditional guarantee of the United States government;
- demand deposits or one to seven-day deposits in foreign financial institutions rated at least P-2 by Moody's Investors Service, Inc., or Moody's, or A-2 by S&P;
- investments in mutual or similar funds or companies approved by the *Banco de México*, that satisfy certain requirements; and

- unused lines of credit granted by foreign financial institutions rated at least P-2 by Moody's or A-2 by S&P, subject to certain requirements.

Such liquid assets may not be posted as collateral, lent or be subject to repurchase transactions or any other similar transactions that may limit their transferability.

Lending Limits

In accordance with the General Rules Applicable to Mexican Banks, limits relating to the diversification of a bank's lending transactions are determined in accordance with the bank's compliance with Mexican Capitalization Rules. For a bank with:

- 8% ≤ Capital Ratio 9%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 12% of the bank's Tier 1 capital;

- 9% ≤ Capital Ratio 10%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 15% of the bank's Tier 1 capital;

- 10% ≤ Capital Ratio 12%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 25% of the bank's Tier 1 capital;

- 12% ≤ Capital Ratio 15%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 30% of the bank's Tier 1 capital; and

- Capital Ratio > 15%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 40% of the bank's Tier 1 capital.

The limits mentioned in the prior paragraphs are required to be measured on a quarterly basis. The CNBV has discretion to reduce the aforementioned limits, if internal control or the risk management of the bank is inadequate.

Financings guaranteed by unconditional and irrevocable security interests or guarantees, that may be enforced immediately and without judicial action, granted by foreign financial institutions with investment grade ratings and established in a country member of the European Union or the Organization for Economic Cooperation and Development (which guarantees must be accompanied with a legal opinion as to their enforceability), securities issued by the Mexican government, and cash (transferred to the bank lender under a deposit that may be freely disposed of by the lender) are exempted from the aforementioned limits, but such financings may not exceed 100% of a bank's Tier 1 capital.

Likewise, financings granted to Sofomes for which the bank owns at least 99% of its capital stock, are exempted from the aforementioned guidelines, but such financings may not exceed 100% of a bank's Tier 1 capital. Notwithstanding, if the Sofomes maintain or grant financing (regardless of the origin of the resources) to a person or a group of persons representing common risk, such financing shall comply with the aforementioned limits.

The aggregate amount of financings granted to the three largest borrowers of a bank may not exceed 100% of the bank's Tier 1 capital. The aforementioned limits also do not apply to financings made to other Mexican banks and to government-controlled companies and decentralized agencies, but may not exceed 100% of such bank's Tier 1 capital.

Banks are not obligated to comply with the aforementioned limits with respect to financings made to the Mexican government, local governments (subject to such financings being guaranteed by the right to receive certain Federal taxes), the *Banco de México*, IPAB and development banks guaranteed by the Mexican government.

Banks are required to disclose, in the notes to their financial statements, (i) the number and amount of financings that exceed 10% of Tier 1 capital and (ii) the aggregate amount of financings made to their three largest borrowers.

Funding Limits

In accordance with the General Rules Applicable to Mexican Banks, Mexican banks are required to diversify their funding risks. In particular, a Mexican bank is required to notify the CNBV, on the business day following the occurrence of the event, in the event it receives funds from a person or a group of persons acting in concert that represent in one or more funding transactions more than 100% of such bank's Tier 1 capital. None of our liabilities to a person or group of persons exceeds the 100% threshold.

Related Party Loans

Pursuant to the Mexican Banking Law, the total amount of the transactions with related parties may not exceed 50% of the bank's Tier 1 capital. For the case of loans and revocable credits, only the disposed amount will be counted. See "Related Party Transactions—Loans to Related Parties."

Foreign Currency Transactions

Banco de México regulations govern transactions by banks, denominated in foreign currencies. Mexican banks may, without any specific additional approval, engage in spot foreign exchange transactions (i.e., transactions having a maturity not exceeding four business days). Other foreign currency transactions are deemed derivative transactions and require approvals as discussed below. At the end of each trading day, banks are generally obligated to maintain a balanced foreign currency position (both in the aggregate and by currency). Short and long positions are permitted in the aggregate, however, so long as such positions do not exceed 15% of a bank's Tier 1 capital. In addition, Mexican banks must maintain liquid assets, prescribed by regulations issued by the *Banco de México*, in connection with maturities of obligations denominated in foreign currencies (as discussed under "— Liquidity Requirements for Foreign Currency-Denominated Liabilities").

Derivative Transactions

Certain *Banco de México* rules apply to derivative transactions entered into by Mexican banks. Mexican banks are permitted to enter into swaps, credit derivatives, forwards and options with respect to the following underlying assets:

- specific shares, groups of shares or securities referenced to shares, that are listed in a securities exchange,
- stock exchange indexes,
- Mexican currency, foreign currencies and UDIs,
- inflation indexes,
- gold or silver,
- nominal or real interest rates with respect to any debt instrument,
- loans or other advances,
- corn, wheat, soy beans and sugar,

- pork meat,
- natural gas,
- aluminum and copper,
- rice, sorghum, cotton, oatmeal, coffee, orange juice, cocoa, barley, cattle, pork, milk, canola, soy bean oil and soy bean paste, and
- futures, options and swaps with respect to the underlying assets mentioned above.

Mexican banks require an express general approval, issued in writing by the *Banco de México*, to enter into, as so-called intermediaries, derivative transactions, with respect to each class or type of derivative. Mexican banks that have not received the relevant general approval would require a specific approval from the *Banco de México* to enter into such derivative transactions (or even if in possession of such general approval, to enter into derivative transactions with underlying assets different from the assets specified above). Mexican banks may, however, enter into derivatives without the authorization of the *Banco de México*, if the exclusive purpose of such derivatives is to hedge the relevant bank's existing risks. Authorizations may be revoked if, among other things, the applicable Mexican bank fails to comply with Mexican Capitalization Rules, does not timely comply with reporting requirements or enters into transactions that contravene applicable law or sound market practices.

Banks that execute derivative transactions with related parties or with respect to underlying assets of which the issuer or debtor are related parties shall comply with the corresponding provisions established in the Mexican Banking Law.

Institutions may guarantee the compliance of the derivative transactions through cash deposits, receivables and/or securities of its portfolio. In the case of derivative transactions that take place in OTC markets, the above guarantees may be granted only when the counterparties are credit institutions, brokerage firms, foreign financial institutions, mutual funds, mutual funds manager of pension funds, Sofoles or any other counterpart authorized by the *Banco de México*. Mexican banks are required to periodically inform their board of directors with respect to the derivatives entered into and whether or not the Mexican bank is in compliance with limits imposed by the board of directors and any applicable committee. Mexican banks must also inform the *Banco de México* periodically of derivative transactions entered into and whether any such transaction was entered into with a related party. The counterparties in respect of derivatives transactions entered into by Mexican banks must be other Mexican banks, Mexican financial entities authorized to enter into such derivatives by the *Banco de México* or foreign financial institutions. Derivatives must be entered into pursuant to master agreements that must include international terms and guidelines, such as ISDA master agreements. As an exception to applicable rules, Mexican banks may pledge cash, receivables and securities to secure obligations resulting from their derivative transactions.

Repurchase Operations and Securities Lending

Under a circular issued by *Banco de México*, Mexican banks may enter into repurchase operations with Mexican and foreign counterparts. Repurchase transactions may be entered into in respect of bank securities, Mexican Government securities, debt securities registered with the CNBV and certain foreign securities. Repurchase transactions must be entered into under master agreements, such as the master agreements of the International Securities Market Association and the Public Securities Association. Collateral may be provided in connection with repurchase transactions.

Banco de México has also authorized Mexican banks to participate in securities lending activities on terms similar to those applicable to repurchase operations.

Limitations on Investments in Other Entities

Under the Financial Groups Law, subsidiaries of a financial services holding company may not acquire more than 1.0% of the capital stock of another Mexican financial institution, and under no circumstances may they own capital stock of their own financial services holding company, of other subsidiaries of their financial services holding company or of entities that are shareholders of their own financial services holding company of other subsidiaries of their financial services holding company. Without the prior approval of the SHCP (which shall take into consideration the opinions of Banco de México and the primary Mexican regulatory commission supervising the financial entity), members of a financial group may not accept as collateral shares of stock of Mexican financial institutions. Mexican banks may not acquire or receive as collateral, certain securities issued by other Mexican banks. A notice to the SHCP is required prior to acquisition of shares of capital stock of non-Mexican financial entities.

In addition, Mexican Banking Law imposes certain restrictions on investments by Mexican banks in equity securities of companies engaged in non-financial activities. Mexican banks may own equity capital in such companies up to the following limits: (i) up to 5.0% of the capital of such companies at any time; (ii) more than 5.0% and up to 15.0% of the capital of such companies for a period not to exceed three years, upon prior authorization of a majority of the members of each class of the bank's board of directors; and (iii) for higher percentages and for longer periods, or in companies engaged in new long-term projects or carrying out development related activities, with prior authorization of the CNBV. The total of all such investments made by a bank may not exceed 30.0% of such Tier 1 Capital.

Restrictions on Liens and Guarantees

Under the Mexican Banking Law, banks are specifically prohibited from (i) pledging their securities or other assets as collateral (except (a) if the *Banco de México* or the CNBV so authorizes, including as described above with respect to derivative transactions or (b) for obligations in favor of the *Banco de México*, IPAB, Mexican development banks or governmental trusts) and (ii) guaranteeing the obligations of third parties, except, generally, in connection with letters of credit and bankers' acceptances.

Bank Secrecy Provisions; Credit Bureaus

Pursuant to the Mexican Banking Law, a Mexican bank may not provide any information relating to the identity of its customers or specific deposits, services or any other banking transactions (including loans) to any third parties (including any purchaser, underwriter or broker, or holder of any of the bank's securities), other than (i) the depositor, debtor, accountholder or beneficiary and their legal representatives or attorneys-in-fact, (ii) judicial authorities in trial proceedings in which the accountholder is a party or defendant, (iii) the Mexican federal tax authorities for tax purposes, (iv) the SHCP for purposes of the implementation of measures and procedures to prevent terrorism and money laundering, (v) the Federal Auditor (*Auditoría Superior de la Federación*), to exercise its supervisory authority, (vi) the supervisory unit of the Federal Electoral Agency and (vii) the federal attorney general's office (*Procuraduría General de la República*) for purposes of criminal proceedings, among others. In most cases, the information needs to be requested through the CNBV.

The CNBV is authorized to furnish foreign financial authorities with certain protected information under the Mexican bank secrecy laws, provided that an agreement must be in effect between the CNBV and such authority for the reciprocal exchange of information. The CNBV must abstain from furnishing information to foreign financial authorities if, in its sole discretion, such information may be used for purposes other than financial supervision, or by reason of public order, national security or any other cause set forth in the relevant agreement.

Banks and other financial entities are allowed to provide credit related information to duly authorized Mexican credit bureaus.

Money Laundering Regulations

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

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

- establishing and implementing of procedures and policies, including client identification and know-your-customer policies, to prevent and detect actions, omissions or transactions that might favor, assist or cooperate in any manner with terrorism or money laundering activities (as defined in the Mexican Federal Criminal Code (*Código Penal Federal*));

- implementing procedures for detecting relevant, unusual and suspicious transactions (as defined in the Money Laundering Rules);

- reporting of relevant, unusual and suspicious transactions to the SHCP, through the CNBV; and

- establishing of a communication and control committee (which, in turn, must appoint a compliance officer) in charge of, among other matters, supervising compliance with anti-money laundering provisions.

We are also required to organize and maintain a file before opening an account or entering into any kind of transaction, for the identification of each client (each, an "Identification File").

An individual's Identification File shall include, among other information, a copy of the following documentation or data (which must be maintained and updated): (i) full name, (ii) date of birth, (iii) nationality and country of birth, (iv) tax identification number and the certificate evidencing the tax identification number issued by the SHCP or the population registry identification number and evidence thereof issued by the Ministry of Interior, as the case may be, (v) occupation, profession, main activity or line of business, (vi) complete domicile (including telephone number), (vii) e-mail address, if any, and (viii) advanced electronic signature series number, when applicable.

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

Identification Files shall be maintained for the complete duration of the corresponding agreement entered into with such client, for a minimum term of ten years from the date such agreement is terminated.

Under the Money Laundering Rules, we must provide to the SHCP, through the CNBV, (i) quarterly reports (within ten business days from the end of each quarter) with respect to transactions equal to, or exceeding, U.S.$10,000, (ii) monthly reports (within 15 business days from the end of the month) with respect to international funds transfers, received or sent by a client, with respect to transactions equal to, or exceeding, U.S.$10,000, (iii) reports of unusual transactions, within 60 calendar days counted from the date an unusual transaction is detected by our systems and (iv) periodic reports of suspicious transactions, within 60 calendar days counted from the date the suspicious transaction is detected.

In June 2010 new regulations were issued by the SHCP, as amended in September and December 2010, which restrict cash transactions denominated in U.S. dollars that may be entered into by Mexican banks. Pursuant to such regulations, Mexican banks are not permitted to receive physical cash amounts

in U.S. dollars from individuals in excess of U.S.$4,000 per month for deposits. Mexican banks are also not permitted to receive physical cash amounts in U.S. dollars from their corporate clients, except in very limited circumstances.

Also, Mexican banks are not permitted to receive physical cash amounts in U.S. dollars from individuals, in excess of U.S.$300 per day for individual foreign exchange transactions. In each case, the monthly amount per individual for such transactions cannot exceed U.S.$1,500.

In addition, the newly enacted regulations set forth certain reporting obligations for Mexican banks regarding their U.S. dollar cash transactions, to the SHCP (through the CNBV).

Rules on Interest Rates

Banco de México regulations limit the number of reference rates that may be used by Mexican banks as a basis for determining interest rates on loans. For peso-denominated loans, banks may choose any of a fixed rate, TIIE, Cetes, CCP (*costo de captación promedio a plazo*), the rate determined by the *Banco de México* as applied to loans funded by or discounted with NAFIN, the rate agreed to with development banks in loans funded or discounted with them, the weighted bank funding rate (*tasa ponderada de fondeo bancario*) and the weighted governmental funding rate (*tasa ponderada de fondeo gubernamental*). For UDI-denominated loans, the reference rate is the UDIBONOS. For foreign currency-denominated loans, banks may choose any fixed rate or floating market reference rate that is not unilaterally determined by a financial institution, including LIBOR or the rate agreed upon with international or national development banks or funds, for loans funded by or discounted with such banks or funds. For dollar denominated loans, banks may choose either a fixed rate or any of the rates referred to in the prior sentence or CCP-Dollars, as calculated and published in the Official Gazette of Mexico by the *Banco de México*.

The rules also provide that only one reference rate can be used for each transaction and that no alternative reference rate is permitted, unless the selected reference rate is discontinued, in which event a substitute reference rate may be established. A rate or the mechanism to determine a rate, may not be modified unilaterally by a bank. Rates must be calculated annually, based upon 360-day periods.

On July 11, 2008, the *Banco de México* published new rules that regulate the issuance, use and include certain card user protection provisions.

Fees

Under *Banco de México* regulations, Mexican banks, Sofoles and Sofomes may not, in respect of loans, deposits or other forms of funding and services with their respective clients, (i) charge fees that are not included in their respective, publicly disclosed, aggregate annual cost (*costo anual total*), (ii) charge alternative fees, except if the fee charged is the lower fee and (iii) charge fees for the cancellation of credit cards issued. In addition, among other things, Mexican banks may not (i) charge simultaneous fees, in respect of demand deposits, for account management and relating to not maintaining minimum amounts, (ii) charge fees for returned checks received for deposit in a deposit account or as payment for loans granted, (iii) charge fees for cancellation of deposit accounts, debit or teller cards, or the use of electronic banking services or (iv) charge different fees depending upon the amount subject of a money transfer. Under the regulations, fees arising from the use of ATMs must be disclosed to users.

Mexican banks, Sofoles and Sofomes permitting customers the use of, or operating, ATMs must choose between two options for charging fees to clients withdrawing cash or requesting balances: (i) specifying a fee for the relevant transactions, in which case, Mexican banks, Sofoles and Sofomes issuing credit or debit cards (the “Issuing Bank”) may not charge cardholders any additional fee (the Issuing Bank is entitled to charge operators the respective fee) or (ii) permit the Issuing Bank to charge a fee to clients, in which case, banks, Sofoles and Sofomes may not charge additional fees to clients.

The *Banco de México*, on its own initiative or as per request from the CONDUSEF, banks, Sofoles or Sofomes, may assess whether reasonable competitive conditions exist in connection with fees charged by banks, Sofoles or Sofomes in performing financial operations. The *Banco de México* must obtain the opinion of the Federal Competition Commission (*Comisión Federal de Competencia*) in carrying out this assessment. The *Banco de México* may take measures to address these issues.

On October 12, 2009, the *Banco de México* published Circular 24/2009, which modifies the rules on ATM-user fees and became effective on April 30, 2010. This new regulation may result in changes to our current ability to charge fees for ATM use to their clients or the amount of such charges.

Law for the Protection and Defense of Financial Service Users

A Law for the Protection and Defense of Financial Service Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) is in effect in Mexico. The purpose of this law is to protect and defend the rights and interests of users of financial services. To this end, the law provides for the creation of CONDUSEF, an autonomous entity that protects the interests of users of financial services and that has very wide authority to protect users of financial services (including imposing fines). CONDUSEF acts as arbitrator in disputes submitted to its jurisdiction and seeks to promote better relationships among users of financial institutions and the financial institutions. As a banking institution, we must submit to CONDUSEF's jurisdiction in all conciliation proceedings (initial stages of a dispute) and may choose to submit to CONDUSEF's jurisdiction in all arbitration proceedings that may be brought before it. The law requires banks to maintain an internal unit designated to resolve any and all controversies submitted by clients. We maintain such a unit.

CONDUSEF maintains a Registry of Financial Service Providers (*Registro de Prestadores de Servicios Financieros*), in which all financial services providers must be registered, which assists CONDUSEF in the performance of its activities. CONDUSEF is required to publicly disclose the products and services offered by financial service providers, including interest rates. To satisfy this duty, CONDUSEF has wide authority to request any and all necessary information from financial institutions. Furthermore, CONDUSEF may scrutinize banking services provided by using standard accession agreements.

We may be required to provide reserves against contingencies which could arise from proceedings pending before CONDUSEF. We may also be subject to recommendations by CONDUSEF regarding our standard agreements or information used to provide our services. We may be subject to coercive measures or sanctions imposed by CONDUSEF. We are not currently the subject of any material proceedings before CONDUSEF.

Law for the Transparency and Ordering of Financial Services

The Transparency and Ordering of Financial Services Law (*Ley para la Transparencia y Ordenamiento de los Servicios Financieros*) was published in the Official Gazette of Mexico in June 2007. The purpose of this law is to regulate (i) the fees charged to clients of financial institutions for the use and/or acceptance of means of payment, as with debit cards, credit cards, checks and orders for the transfer of funds, (ii) the fees that financial institutions charge to each other for the use of any payment system, (iii) interest rates that may be charged to clients and (iv) other aspects related to financial services, all in an effort to make financial services more transparent and protect the interests of the users of such services. This law grants the *Banco de México* the authority to regulate interest rates and fees and establish general guidelines and requirements relating to payment devices and credit card account statements (see "—Rules on Interest Rates" and "—Fees" above). The *Banco de México* has the authority to specify the basis upon which each bank must calculate its aggregate annual cost (*costo anual total*), which comprises interest rates and fees, on an aggregate basis, charged in respect of loans and other services. The aggregate annual cost must be publicly disclosed by each bank. The law also regulates the terms that banks must include in standard accession agreements and the terms of any publicity and of information provided in account statements. We must inform the *Banco de México* of any changes in fees at least 30 calendar days before they become effective.

Law on Transparency and Development of Competition for Secured Credit

On December 30, 2002, the Mexican Congress enacted the Law on Transparency and Development of Competition for Secured Credit (*Ley de Transparencia y de Fomento a la Competencia en el Crédito Garantizado, or the Secured Credit Law*), as amended on June 15, 2007. The Secured Credit Law provides a legal framework for financial activities and certain other services performed by private credit institutions (as opposed to governmental entities) in connection with secured loans relating to real property in general and housing in particular (i.e., purchase, construction, restoration or refinancing). In particular, the Secured Credit Law established specific rules requiring the following: (i) the disclosure of certain information by credit institutions to their clients prior to the execution of the relevant loan agreement, including the disclosure of certain terms relating to interest rates, aggregate costs and expenses payable; (ii) the compliance by credit institutions and borrowers with certain requirements in the application process; (iii) the binding legal effect of offers made by credit institutions granting secured loans; (iv) the inclusion of mandatory provisions in loan agreements; and (v) the assumption of certain obligations by public officers (or notaries) before whom secured loans are granted.

In addition, the Secured Credit Law seeks to foster competition among credit institutions by permitting security interests underlying a secured loan to survive any refinancing thereof, even if such loans were granted by different credit institutions. This provision of the Secured Credit Law is designed to reduce expenditures made by borrowers.

Financial Groups Statutory Responsibility

The Financial Groups Law requires that each financial services holding company, such as Grupo Financiero Mifel, enter into an agreement with each of its financial services subsidiaries, which includes us. Pursuant to such agreements, the financial services holding company is responsible secondarily and without limitation for performance of the obligations incurred by its subsidiaries as a result of the authorized activities of such subsidiaries and is fully responsible for certain losses of its subsidiaries, up to the total amount of the financial services holding company's assets. For such purposes, a subsidiary is deemed to have losses if (i) its stockholders' equity represents an amount that is less than the amount the subsidiary is required to have as minimum paid-in capital under applicable law, (ii) its capital and reserves are less than the subsidiary is required to have under applicable law, or (iii) in the judgment of the regulatory commission supervising the subsidiary's activities, the subsidiary is insolvent and cannot fulfill its obligations.

The financial services holding company has to inform the CNBV of the existence of any such obligation or loss. The financial services holding company would only have to respond with respect to the obligations of its financial services subsidiaries fifteen business days after the CNBV delivers notice of its approval of the enforceability of such obligations. The financial services holding company responds to the losses of its subsidiaries by making capital contributions to such subsidiaries.

In the event of a financial services holding company's statutory responsibility with respect to a bank, IPAB must determine the amount of the preliminary losses of such bank. The financial services holding company is required to create a capital reserve for the amount of such losses. The financial services holding company is also required to collateralize the payment of the bank's losses that are paid by IPAB pursuant to its law. Such collateral may be created over the financial services holding company's assets or over such company's shares or those of its subsidiaries.

A financial services holding company is not allowed to pay any dividends or transfer any monetary benefit to its shareholders as of the date on which IPAB determines the bank's losses, up to the date on which the financial services holding company has paid for the bank's losses.

No subsidiary is responsible for the losses of the financial services holding company or of the Financial Services holding company's subsidiaries. Grupo Financiero Mifel has entered into such an agreement with Banca Mifel and its other financial services subsidiaries.

DESCRIPTION OF THE NOTES

We issued a series of notes currently qualifying as Tier 2 capital (the "Notes") under an indenture dated as of the issue date of the Notes among us and The Bank of New York Mellon as trustee (the "Trustee"), and The Bank of New York Mellon (Luxembourg), S.A. as Luxembourg paying agent and transfer agent, which may be amended or supplemented from time to time. The description of the notes describes the material terms and provisions of the Notes, and together with the indenture and the Notes, including the definitions therein of certain terms, is a complete description of the rights of the holders of the Notes. If any conflict would exist in respect of the rights and obligations of the holders of the Notes under the indenture and this offering memorandum, the terms of the indenture will prevail. You may obtain a copy of the indenture and the forms of the Notes by contacting the Trustee at the address indicated in this offering memorandum.

General

The Notes were issued in the aggregate amount of U.S.$150,000,000 in registered form, in minimum denominations of U.S.$2,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will represent our general, unsecured and subordinated, cumulative, preferred obligations. The Notes constitute Subordinated Preferred Indebtedness and will rank (i) junior to our Senior Indebtedness, (ii) *pari passu* without preference among themselves and with all our other Subordinated Preferred Indebtedness and (iii) senior to our Subordinated Non-Preferred Indebtedness and to all classes of our capital stock, as described in this offering memorandum. See "—Subordination." We expect to incur additional Senior Indebtedness and Subordinated Preferred Indebtedness from time to time, and the indenture does not prohibit or limit the incurrence of other indebtedness, including additional Senior Indebtedness and Subordinated Preferred Indebtedness.

The Notes will not be guaranteed, or otherwise be eligible for reimbursement, by the IPAB or any other Mexican governmental agency.

The Notes, by their terms, are not convertible into our shares. The Notes will mature and be payable in full on May 16, 2022 (the "Maturity Date"), unless earlier redeemed or payment of principal has been deferred as described in this offering memorandum. We may redeem the Notes in whole, but not in part, under the circumstances described below under "—Redemption—Withholding Tax Redemption" and "—Redemption—Special Event Redemption." Other than in accordance with a Withholding Tax Redemption or a Special Event Redemption, the Notes will not be redeemable prior to the Maturity Date.

Unless other arrangements are made, payments of principal and interest on the Notes will be made as described below under "—Book-Entry System."

We will maintain a transfer agent in the Borough of Manhattan, The City of New York, where the Notes may be presented for exchange or transfer. The transfer agent initially will be located at The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286 (Attention: International Corporate Trust, Floor 4E). The holders of the Notes will not have to pay a service charge to register the transfer or exchange of any Notes, but we may require that holders of the Notes pay any applicable tax or other governmental charge.

The indenture and the Notes do not contain any provision that would protect the holders of the Notes against a sudden and dramatic decline in our credit quality resulting from events affecting us, a takeover, change of control, recapitalization or other restructuring or other event involving us that may adversely affect our credit quality.

Principal and Interest

The Notes bear interest from (and including) the Issue Date, at a fixed rate per annum equal to 9.750%, payable semi-annually in arrears on May and November of each year (each an "Interest

Payment Date"), commencing on November 16, 2012. If any Interest Payment Date would otherwise fall on a date that is not a Business Day (as defined below), the required payment of interest shall be made on the next succeeding Business Day, with the same force and effect as if made on such Interest Payment Date, and no further interest shall accrue as a result of the delay. Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months.

The term "Business Day" is defined in the indenture as any day other than a Saturday or a Sunday, or a day on which banking institutions in The City of New York or Mexico City are authorized or required by law or executive order to remain closed.

Further Issuances

The Notes were issued in an initial aggregate principal amount of U.S.$150,000,000. Without notice to or consent of the holders of the Notes offered by this offering memorandum, additional notes may be issued under the indenture having the same ranking, interest rate, maturity date and other terms as the Notes, other than the original issue date and interest accrual date. Any additional notes, together with the Notes offered by this offering memorandum, will constitute a single series of Notes under the indenture; provided, however, that if such additional notes are not fungible with the Notes for U.S. federal income tax purposes (including for purposes of Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended) the additional notes will be issued under a separate CUSIP number.

Prior to the issuance of any additional notes, we are required to (i) obtain an authorization from *Banco de México* and (ii) obtain from the CNBV an acknowledgement of the terms of the supplemental indenture, in the form of the CNBV executing such supplemental indenture, pursuant to Article 64 of the Mexican Banking Law.

Payment of Additional Amounts

We will make all payments in respect of the Notes without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Mexico (the "Relevant Jurisdiction") or any authority or agency therein or thereof having power to tax (collectively, "Relevant Tax") unless the withholding or deduction of such Relevant Tax is required by law. In that event, we will pay such Additional Amounts as may be necessary in order that the net amounts received in respect of the Notes by any holder thereof, after any such withholding or deduction, will equal the amounts which would have been received in the absence of any such withholding or deduction, except that no Additional Amounts will be payable to the extent that such Relevant Tax:

(1) would not have been imposed or levied but for the existence of any present or former connection between such holder or the beneficial owner of a Note and the Relevant Jurisdiction (other than the mere ownership of, the receipt of payments of any nature on or the enforcement of rights under the Note);

(2) would not have been imposed or levied but for the failure of such holder or beneficial owner to comply with certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the Relevant Jurisdiction, of such holder or beneficial owner, if compliance is required by statute or regulation of the Relevant Jurisdiction, or pursuant to the terms of any ratified treaty to which the Relevant Jurisdiction is a party, which is in effect, as a precondition to exemption from, or reduction of, the Relevant Tax; provided that (x) we have or our agent has provided such holder with at least 60 days' prior written notice of an opportunity to comply with such requirements; and (y) the procedures for complying with such requirements are commercially reasonable and no more stringent than the satisfactory completion and delivery of U.S. Internal Revenue Service Form W-8BEN;

(3) would not have been imposed or levied but for the failure to present the Notes (where

presentation is required) for payment within 30 days after the date on which such payment becomes due and payable or the date on which such payment thereof is duly provided for, whichever occurs earlier, except to the extent Additional Amounts would have been payable had the Notes been surrendered during such 30-day period;

(4) would not have been imposed or levied but for such holder of a Note being a fiduciary, a partnership or any person other than the sole beneficial owner of such payment, if such tax would not have been imposed had the beneficiary or settlor with respect to such fiduciary, member of such partnership or beneficial owner of such payment been the actual holder of the Note;

(5) is an estate, inheritance, gift, sale, transfer, excise, personal property or similar tax or assessment;

(6) is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC (the "Savings Directive") or any directive otherwise implementing the conclusions of the ECOFIN Council meetings of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, any such directive;

(7) is payable other than by deduction or withholding from payments made on or with respect to any Note;

(8) is required to be withheld from a payment made to a holder (or beneficial owner) who would have been able to avoid such withholding or deduction by presenting the Notes (where presentation is required) to another of our available paying agents; or

(9) is imposed as a result of any combination of (1) through (8) above.

We will also (i) make such withholding or deduction and (ii) remit the full amount withheld or deducted to the relevant taxing authority in the Relevant Jurisdiction in accordance with applicable law.

We will furnish to the Trustee, within 30 Business Days after the date of payment of any such taxes, an officer's certificate and other documentation acceptable to the Trustee, including certified copies of returns, evidencing such payment by us. Upon written request of the holders to the Trustee, copies of such officer's certificate or other documentation will be made available to the holders.

To give effect to the foregoing, we will, upon the written request of any holder, indemnify and hold harmless and reimburse such holder of a Note for the amount of any Relevant Tax (other than any such Relevant Tax for which the holder would not have been entitled to receive Additional Amounts pursuant to any of the conditions described in the first paragraph of this section titled "Payment of Additional Amounts", without regard to the condition in item 7 above) so imposed on, and paid by, such holder as a result of any payment of principal or interest on the Notes, so that the net amount received by such holder after such reimbursement would not be less than the net amount the holder would have received if such Relevant Tax had not been imposed or levied and so paid; provided that such holder will be obligated to provide reasonable documentation (including documentation that is reasonably sufficient to establish to us such holder's, or, if applicable, the beneficial owner's, ownership of the Note with respect to which such taxes were levied or imposed) and to cooperate with us in connection with the foregoing.

We will also pay any stamp, administrative, court, documentary, excise or similar taxes arising in the Relevant Jurisdiction in connection with the Notes and will indemnify the holders of Notes for any such taxes paid by such holders.

All references to principal, redemption amount and/or interest in respect of the Notes shall be deemed to include any Additional Amounts payable by us under the Notes or the indenture in respect of the Notes through and including the date the Notes shall have been repaid in full, including in the case of

any early redemption or acceleration thereof prior to the Maturity Date. The foregoing obligations shall survive any termination, defeasance or discharge of the Notes and the indenture.

We undertake to comply with European Council Directive 2003/48/EC (the "Savings Directive") or any other directive implementing the conclusions of the European Council of Economic and Finance Ministers ("ECOFIN") meeting of 26-27 November 2000 that may be brought into force and to use our best efforts to maintain a paying agent in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to the European Union Savings Directive.

In the event that Additional Amounts actually paid with respect to the Notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of the Notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, such holder shall, by accepting the Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto (other than reasonably assisting us, if requested, to obtain such refund). We will inform the Trustee of the refund or credit within 30 Business Days of our determination that we are entitled to receive such refund or credit.

Treatment of Interest and Principal During a Suspension Period

Deferral of Interest and Principal Payments

We have the right to and will defer the payment of interest and principal due on the Notes (but do not have a right to and will not cancel the accrual and payment of interest thereon) for the duration of any Suspension Period (see "—Suspension Period"). In the event of a deferral of payment of interest or principal on the Notes, we will notify the Trustee and the holders of the Notes in writing in accordance with the procedures described in the indenture. Payments of interest due on the Notes will be cumulative, so that in the event that payments of interest are deferred during a Suspension Period, holders of the Notes will have the right to receive all interest accrued prior to and during a Suspension Period, but not paid as a result of such Suspension Period in effect on the relevant Interest Payment Date(s) on which such payments would have been payable, and these interest payments will be payable (without any interest on such previously accrued payments) on the next succeeding Interest Payment Date on which a Suspension Period is no longer in effect. When a Suspension Period is no longer in effect, we will notify the Trustee and the holders of the Notes in writing in accordance with the procedures described in the indenture.

Suspension Periods

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

(1) our Capital Ratio declines below the minimum percentage required from time to time by the Mexican Capitalization Requirements (a "Capital Ratio Event"); or

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

General Rules Governing Banks and Their Application to Us

Article 134 Bis of the Mexican Banking Law provides the following:

(1) In the exercise of its supervisory duties, the CNBV, by means of the general regulations approved by its governance board, will classify Mexican banks into categories based on their compliance with the Mexican Capitalization Requirements issued by the CNBV pursuant to Article 50 of the Mexican Banking Law. For the classification purposes referred to in this paragraph, the CNBV may establish different categories, depending on whether the banks maintain a superior or inferior Capital Ratio as compared to the required Capital Ratio applicable to them.

(2) The rules issued by the CNBV shall establish the minimum corrective and special additional measures that banks must fulfill according to the category in which they were classified. For the issuance of the general rules, the CNBV shall observe the provisions set forth in Article 134 Bis 1. These corrective measures must be designed to prevent and, when necessary, correct the operations of the banks that could negatively affect their solvency or financial stability. The CNBV shall notify the relevant bank in writing of the corrective measures that it must observe in accordance with the relevant chapter of the Mexican Banking Law, as well as verify its compliance in accordance with the provisions of this ordinance. In the notification referred to in this paragraph, the CNBV shall define the terms and dates for the fulfillment of the corrective measures referenced in this Article 134 Bis and Article 134 Bis 1. The provisions of this article, as well as Articles 134 Bis 1 and 134 Bis 2, will be enforced without prejudice of the powers attributed to the CNBV in accordance with the Mexican Banking Law and other applicable provisions. The bank shall comply with the corrective measures, including making any necessary amendments to its bylaws or taking other corporate action as required by the corrective measures.

(3) The adoption of any corrective measure imposed by the CNBV pursuant to Article 134 Bis 1 and the relevant rules and regulations, as well as the penalizations or revocation proceedings that derive from a bank's breach of the corrective measures, are considered in the interest of the public; therefore, these measures may not be halted by a suspension measure.

Article 134 Bis 1 of the Mexican Banking Law provides, for purposes of Article 134 Bis above:

(1) When a bank does not comply with the capitalization requirements set forth in Article 50 of the Mexican Banking Law and the provisions that derive therefrom, the CNBV has the authority at its discretion, to order the implementation of corrective measures, which may include:

(a) requiring the bank to (x) inform the board of directors about the bank's classification, as well as the causes that motivated such classification, and submit a detailed report containing a comprehensive evaluation of the bank's financial situation, its level of compliance with the regulatory framework and the main indicators that reflect the degree of stability and solvency of the bank, (y) include in such report any observations mandated, in accordance with their respective scope of authority, by each the CNBV and *Banco de México* and (z) report in writing the financial situation to the chief executive officer and chairman of the board of directors of the bank or the board of directors of the bank's holding company, in the event the bank is part of a financial group;

(b) requiring the bank's board of directors to (y) within no more than 15 business days, submit to the CNBV, for its approval, a plan for capital restoration that will result in an increase in its Capital Ratio, which may contemplate a program for improvement in operational efficiency, streamlining costs and increasing profitability, the carrying out of contributions to the capital and limits to the operations that the banks may carry out in satisfaction of their bylaws, or to the risks derived of such operations. The capital restoration plan shall be approved by such bank's board of directors before being presented to the CNBV. The bank shall determine in the capital restoration plan that, in accordance with this subsection, must submit, periodic targets, as well as the date in which the capital of such bank will get the capitalization level required in accordance with the applicable provisions. The CNBV, through its governing board, must resolve all that

corresponds to the capital restoration plan that has been presented to them, in a maximum of 60 calendar days from the date the plan was submitted; (z) comply with the plan within the period specified by the CNBV, which in no case may exceed 270 calendar days starting the day after the bank was notified of the respective approval. To determine the period for the completion of the restoration plan, the CNBV shall take into consideration the bank's category, its financial situation, as well as the general conditions prevailing in the financial market. The CNBV, by agreement of its governing board, may extend the deadline once by a period that will not exceed 90 calendar days. The CNBV will monitor and verify compliance with the capital restoration plan, without prejudice of the provenance of other corrective measures depending on the category in which the corresponding bank is classified;

(c) requiring the bank to suspend any payment of dividends to its shareholders, as well as any mechanism or act that involves the transfer of any economic benefits. If the bank belongs to a holding company, the measure provided in this subsection will apply to the holding company to which the bank belongs, as well as the financial entities or companies that are a part of such holding company. This restriction on the payment of dividends for entities that are part of the same financial group will not apply in the event the dividend is being applied to the capitalization of the bank;

(d) requiring the bank to suspend any capital stock buyback programs of the bank and, in the event the bank belongs to a financial group, also the programs of the holding company of such group;

(e) requiring the bank to postpone or cancel the interest payments on outstanding subordinated debt and, when applicable, defer the payment of the principal or exchange the debt into shares of the bank in the amount necessary to cover the capital deficiency, in advance and proportionately, according to the nature of such obligations. This corrective measure will be applicable to those obligations that are identified as subordinated debt in their indenture or issuance document. The banks that issue subordinated obligations must include in the corresponding certificates, the indenture, the prospectus, as well as any other instrument that documents the issuance and the characteristics of the subordinated obligations, as well as the possibility that some of the measures mentioned in the above paragraph are appropriate when the relevant facts are satisfied in accordance with the rules of Article 134 Bis of the Mexican Banking Law, without it being an event of default by the issuer;

(f) requiring the bank to suspend payment of any extraordinary benefits and bonuses that are not a component of the ordinary salary of the chief executive officer or any officer within the next two levels, as well as not granting any new benefits in the future for the chief executive officer and the officers until the bank complies with the minimum levels of capitalization required by the CNBV in accordance with the provisions referred to in Article 50 of the Mexican Banking Law. This provision must be contained in the respective individual labor agreements and any other documentation that govern working conditions;

(g) requiring the bank to refrain from increasing outstanding amounts of any credit granted to any individual who is a related party under Article 73 of the Mexican Banking Law; and

(h) requiring the bank to undergo other corrective measures that, if applicable, are provided for in the general rules of Article 134 Bis of the Mexican Banking Law.

(2) When a bank complies with the capitalization requirements set forth in Article 50 of the Mexican Banking Law and the provisions that derive therefrom, it will be classified in the category with banks that meet such a minimum and the CNBV has the authority, at its discretion, to order the implementation of corrective measures, which may include:

(a) requiring the bank to (x) inform its board of directors of the bank's classification, as well as the causes that motivated it, and submit a detailed report containing a comprehensive evaluation of the bank's financial situation, its level of compliance with the regulatory framework and the main indicators that reflect the degree of stability and solvency of the bank, (y) include in such report any observations mandated by the CNBV and *Banco de México*, within their respective powers, and (z) report the financial situation to the chief executive officer and chairman of the board to the bank's parent company, in the event the bank is part of a financial group;

(b) requiring the bank to refrain from participating in transactions that would cause its Capital Ratio to drop below the required minimum pursuant the applicable provisions; and

(c) requiring the bank to undergo other corrective measures that, if applicable, are provided for in the general rules of Article 134 Bis of the Mexican Banking Law.

(3) Regardless of the capitalization level of the banks, the CNBV may order the implementation of additional and special corrective measures. The special and additional corrective measures that, if applicable, the banks must comply with are the following: (A) define the concrete actions that it will carry out in order not to deteriorate its Capital Ratio; (B) hire the services of external auditors or any other specialized third person for special audits on specific issues; (C) refrain from agreeing to increases in the salaries and benefits of the officers and employees in general, except for salary revisions agreed and always respecting the labor rights acquired. The provisions specified in this subsection shall also apply with respect to payments made to legal entities different from the corresponding bank, when such legal entities make the payments to the employees or officers of the bank; (D) substitute officers, members of the board or external auditors with appointed persons occupying the respective positions; however, this provision shall not limit the CNBV's powers under Article 25 of the Mexican Banking Law to remove or suspend the members of the board, directors, managers, trustees and other officers that may legally bind the bank; or (E) undergo other actions or be subject to other limitations as determined by the CNBV, based on the result of its functions of monitoring and inspection, as well as with sound banking and financial practices. For the implementation of the measures referred to in this subparagraph, the CNBV may consider, among other things, the category in which the bank has been classified, its financial situation, its compliance with the regulatory framework, the tendency of the bank's Capital Ratio and of the principal indicators that reflect the grade of stability and solvency, as well as the quality of the accounting and financial information and of the delivery of such information.

(4) When a bank maintains a Capital Ratio higher than 25% or more, no minimal corrective measures or additional corrective measures will be applied.

Article 134 Bis of the Mexican Banking Law further provides that corrective measures applicable to banks in certain categories may include, among others, requiring a bank to suspend or cancel payments of interest and, if ordered by the CNBV, defer the payment of any principal on outstanding subordinated debt or exchange outstanding convertible subordinated debt into shares of the bank in the amount necessary to cover the capital deficiency; in the event that the bank issues subordinated debt, a bank must include in the relevant debt documentation, that such corrective measure may apply to subordinated debt depending on the bank's classification, and that the implementation of such measures shall not be considered a default under the relevant debt documentation.

The payment of interest or principal due on the Notes will resume:

(1) if the Suspension Period was triggered by a Capital Ratio Event, when our Capital Ratio is no longer below the minimum percentage required by the Mexican Capitalization Requirements; or

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

Mexican Regulatory Event has terminated.

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

We must give the Trustee written notice of any Suspension Period at least five (5) Business Days prior to the Record Date and the Trustee shall notify the Holders of any Suspension Period at least two (2) Business Days prior to the Record Date; provided, however, that in the event that a Suspension Period commences prior to the time when interest due on the Notes or the principal thereof would have been payable, but subsequent to any of the dates by which notice must be given as set forth in the preceding sentence, then we shall give written notice to the Trustee of such Suspension Period within one (1) Business Day after commencement of that Suspension Period and the Trustee shall notify the Holders of such Suspension Period within four (4) Business Days after commencement of that Suspension Period, but in any event prior to the time when such interest or principal would have been payable. We shall notify the Trustee of the termination of any Suspension Period within three (3) Business Days of such termination and the Trustee shall notify Holders of the termination of any Suspension Period within six (6) Business Days of such termination.

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

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

Subordination

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

acceleration has not been rescinded or the subject Senior Indebtedness has not otherwise been paid in full.

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

Definitions

For the purposes of the Notes:

(1) The term “Senior Indebtedness” is defined in the indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the indenture or thereafter created, assumed or incurred, unless the terms thereof specifically provide that it is not superior in right of payment and in liquidation to the Subordinated Preferred Indebtedness or Subordinated Non-Preferred Indebtedness, and any deferrals, renewals or extensions of such Senior Indebtedness;

(2) The term “Subordinated Preferred Indebtedness” (which includes the Notes) is defined in the indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the indenture or thereafter created, assumed or incurred, which terms specifically provide that it is junior in right of payment and in liquidation to Senior Indebtedness, but is senior in right of payment and in liquidation to Subordinated Non-Preferred Indebtedness and all classes of our capital stock, and any deferrals, renewals or extensions of such Subordinated Preferred Indebtedness;

(3) The term “Subordinated Non-Preferred Indebtedness” (which includes our U.S dollar-denominated 11.00% perpetual non-cumulative subordinated non-preferred callable notes redeemable on or after July 25, 2012) is defined in the indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the indenture or thereafter created, assumed or incurred, which terms specifically provide that it is junior in right of payment and in liquidation to Senior Indebtedness and Subordinated Preferred Indebtedness, but is senior in right of payment and in liquidation to all classes of our capital stock, and any deferrals, renewals or extensions of such Subordinated Non-Preferred Indebtedness; and

(4) The term “Indebtedness for Money Borrowed” is defined in the indenture to mean any obligation of, or any obligation guaranteed by us (to the extent permitted under applicable law) for the repayment of borrowed money, whether or not evidenced by notes, debentures or other written instruments, but shall not include (a) any trade accounts payable in the ordinary course of business, (b) any such indebtedness that by its terms ranks junior in right of payment and in liquidation to Subordinated Non-Preferred Indebtedness, (c) indebtedness to any of our employees, (d) our indebtedness which, when incurred, was without recourse to us, and (e) any other indebtedness that would otherwise qualify as Indebtedness for Money Borrowed to the extent that such indebtedness, by its terms, ranks *pari passu* with or junior in right of payment and in liquidation to any of the indebtedness described in clause (a) or (b) above.

No Limitation on Additional Indebtedness

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

Redemption

Withholding Tax Redemption

We have the option under the indenture to redeem the Notes at any time, in whole but not in part, at par plus accrued and unpaid interest due on, or with respect to, such Notes upon the occurrence of a Withholding Tax Event (as defined below) (a "Withholding Tax Redemption"). In the event of such a Withholding Tax Redemption, we are required by *Banco de México* to obtain its authorization prior to the redemption date to redeem such Notes.

The discussion of our obligation to obtain *Banco de México*'s authorization to redeem the Notes is for information purposes only and shall not grant any rights to the Trustee or the holders of the Notes.

For the purposes of the foregoing, the term Withholding Tax Event in respect of the Notes is defined in the indenture to mean (i) the receipt by us and the Trustee of an opinion of counsel of recognized standing in the Relevant Jurisdiction to the effect that, as a result of (a) any amendment to or change (including any announced prospective change) in the laws or treaties (or any rules or regulations thereunder) of the Relevant Jurisdiction affecting taxation, (b) any judicial decision, official interpretation, official administrative pronouncement or regulatory procedure, of the Relevant Jurisdiction (each an "Administrative Action") or (c) any amendment to or change in the official position or the official interpretation of such Administrative Action that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction, irrespective of the manner in which such amendment or change is made known, which amendment or change is effective or such pronouncement or decision is announced on or after the date of issuance of such Notes (collectively, a "Change in Tax Law"), we are or will be liable for the payment of Additional Amounts in respect of interest or interest-like payments under such Notes in excess of 4.9% and (ii) the delivery to the Trustee of a certificate signed by our chief financial officer or general counsel stating that the requirement to make such withholding or deduction cannot be avoided by taking reasonable measures available to us (such measures not involving any material cost to us or the incurring by us of any other tax or penalty, or the creation or establishment of a branch, agency or subsidiary by us in a territory different from the Relevant Jurisdiction).

Special Event Redemption

We also have the option under the indenture to redeem the Notes at any time, in whole but not in part, at the Special Event Price (as defined below) upon the occurrence of a Special Event (as defined below) (a "Special Event Redemption"). In the event of such a Special Event Redemption of the Notes, we are required by *Banco de México* to obtain its authorization prior to the redemption date to redeem the Notes.

For purposes of the foregoing:

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

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

rules or regulations, of any nature and however denominated, thereunder of Mexico or (b) any official administrative pronouncement, official interpretation or judicial decision interpreting or applying these laws, rules or regulations, which amendment or change is effective or such pronouncement, interpretation or decision is announced on or after the date of issuance of the Notes, there is more than an insubstantial risk that we will not be entitled to treat the Notes as Tier 2 capital, or the then equivalent of Tier 2 capital, for purposes of the Mexican Capitalization Requirements, as then in effect and applicable to us;

(3) The term "Tax Event" is defined in the indenture to mean the receipt by us and the Trustee of an opinion of counsel of recognized standing in the Relevant Jurisdiction to the effect that, as a result of a Change in Tax Law, there is more than an insubstantial risk that interest payable by us on the Notes is not or will not be deductible by us in whole or in part for Mexican income tax purposes;

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

(5) The term "Make-Whole Amount" is defined in the indenture to mean, with respect to the Notes being prepaid, the excess, if any, of (i) the sum of the present values of each remaining scheduled payment of principal and interest to the Maturity Date (exclusive of interest accrued to the date of prepayment), computed by discounting such payments on a semi-annual basis (assuming a 360-day year of twelve 30-day months) using a discount rate equal to the Treasury Yield plus 0.50%, over (ii) the outstanding principal amount of the Notes. The Make-Whole Amount shall be determined by us and the date of determination of the Make-Whole Amount shall be the third Business Day prior to the applicable prepayment date;

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

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

The exclusion of the Notes from our Tier 2 Capital at a rate of 10% of their aggregate principal amount per year, which is expected to be required by the new capitalization rules expected to take effect beginning in 2013, pursuant to Basel III, shall not be deemed a Capital Event.

Redemption Procedures

If we give a notice of a Withholding Tax Redemption or Special Event Redemption in respect of the Notes as described in this offering memorandum, then, by 11:00 a.m., New York City time, on the Business Day immediately preceding the applicable redemption date, we shall deposit with the Trustee or with the paying agent an amount of money in immediately available funds, to the extent funds are legally

available, sufficient to pay the redemption price of, and accrued interest on, all the Notes that we are redeeming on the redemption date. With respect to the Notes being redeemed and held in certificated, non-global form, the Trustee, to the extent funds are legally available, will pay the applicable redemption price to the holders thereof upon surrender of their certificates evidencing the Notes. Interest payable on or prior to the redemption date shall be payable to the holders of the Notes on the relevant record dates. If notice of redemption shall have been given and funds deposited with the Trustee to pay the applicable redemption price for the Notes being redeemed, then upon the redemption date, all rights of the holders of the Notes will cease, except the right of the holders of the Notes to receive the applicable redemption price, but without interest on such redemption price, and such Notes will cease to be outstanding. In the event that any redemption date of the Notes is not a Business Day, then the applicable redemption price payable on such date will be paid on the next succeeding day that is a Business Day (without any interest or other payment in respect of any such delay), in each case with the same force and effect as if made on such date. In the event that payment of the applicable redemption price is improperly withheld or refused and not paid by us (i) interest due on the Notes being redeemed will continue to accrue at the then applicable rate, from the redemption date originally established by us to the date such applicable redemption price is actually paid, and (ii) the actual payment date will be the redemption date for purposes of calculating the applicable redemption price.

Notice of any redemption will be given at least 30 days but not more than 60 days prior to the redemption date, and, with respect to a Withholding Tax Redemption no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which we would be obligated, but for such redemption, to pay such Additional Amounts as give rise to the right to such redemption were a payment in respect of the Notes then due and, at the time such notice is given, such obligation to pay such Additional Amounts in accordance with the terms of the indenture remains in effect, to each holder of the Notes in accordance with the procedures described in the indenture. Unless we default in payment of the applicable amounts due on, or in the repayment of, the Notes, on and after a redemption date, interest due will cease to accrue on the relevant Notes called for redemption.

Events of Default, Notice and Waiver

An “Event of Default” is defined in the indenture as:

- a default for 30 calendar days in the payment of interest due and payable on the Notes, other than during a Suspension Period;
- a default in the payment of the principal due and payable on the Notes;
- a payment by us, during a Suspension Period, of dividends in respect of our capital stock other than any Dividend Exceptions; or
- certain events involving our bankruptcy (including *concurso mercantil or quiebra*), liquidation or dissolution.

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

If the event referred to in the last bullet point above occurs and is continuing, the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder

of the Notes. The Notes will become immediately due and payable at their principal amount together with accrued interest up to (but excluding) the date of payment without further action by any person. For the avoidance of doubt, no Mexican Regulatory Event will constitute our bankruptcy (including *concurso mercantil or quiebra*), liquidation or dissolution, nor during a Suspension Period, will a deferral in the payment of interest or principal, or a cancellation in the payment of interest, entitle the Holders of the Notes to accelerate the payment of principal or accrued and unpaid interest of the Notes. In the event of a *concurso mercantil*, holders of the Notes may not be able to collect the full amount payable under the Notes and other bankruptcy rules may affect the timing or amount paid to holders of the Notes. See "Risk Factors—If we do not satisfy our obligations under the Notes, your remedies will be limited."

Holders may not enforce the indenture or the Notes except as provided in the indenture. The holder of any Note, however, will have the right to receive payment of the principal of and interest on that Note on or after the due dates, redemption dates or Maturity Date expressed in the indenture or such Note and, subject to the deferral provisions set forth in the Notes and the indenture and certain other limitations and conditions, to institute a lawsuit for the enforcement of any such payment on or after such respective dates. The Trustee may refuse to enforce the indenture or the Notes unless it receives indemnity or security satisfactory to it. Subject to certain limitations, holders of a majority in principal amount of the outstanding Notes may direct the Trustee under the indenture in its exercise of any trust or power in respect thereof.

Under the indenture, we must furnish the Trustee annually with a statement regarding any default in the performance of our obligations thereunder.

Modification of Indenture; Waiver of Covenants

Subject to authorization by *Banco de México*, we and the Trustee may, without notice to or consent of any holders of Notes, amend, waive or supplement the indenture or the Notes in certain circumstances, including, among other things, to cure any ambiguity, omission, defect or inconsistency, to conform the text of the indenture or the Notes to any provision in this "Description of the Notes" and to make any change that does not adversely affect the rights of any relevant holder in any material respect. In addition, we and the Trustee may amend, waive or supplement the indenture or the Notes with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding Notes; *provided*, *however*, without the consent of the holder of each Note affected and the approval of 75% of the members of our board of directors, we may not, among other things:

- change the maturity date of the principal of or any interest payment date (or periods) on any Note;
- reduce the principal amount of or interest on any Note;
- change the currency of payment of principal or interest on any Note;
- modify any other material payment provision of any Note;
- impair the right to sue for the enforcement of any payment on or with respect to any Note;
- reduce the percentage in principal amount of outstanding Notes that is required for the consent of the holders in order to modify or amend the indenture or to waive compliance with some provisions of the indenture or to waive some defaults; or
- modify the subordination provisions relating to the Notes in any manner adverse to the holders of the Notes.

The holders of a majority in aggregate principal amount of the outstanding Notes may waive any past default or Event of Default under the indenture, except a default under a provision that cannot be modified without the consent of each holder of a Note that would be affected.

Consolidation, Merger, Sale or Transfer of Assets

We may not, without the consent of holders of at least 66 $^{2}/_{3}$% in aggregate principal amount of the outstanding (as defined in the indenture) Notes, consolidate with or merge into, or convey or transfer, in one transaction or a series of transactions, all or substantially all of our properties and assets to any person, unless:

(1) the resulting entity, if other than us, is organized and existing under the law of Mexico and assumes all of our obligations to:

   (x) pay the principal of, and subject to any Suspension Period, the interest on, the Notes; and

   (y) perform and observe all of our other obligations under the indenture; and

(2) no Event of Default, as defined in the indenture, shall have occurred and be continuing.

Restrictions Applicable to Mexican Financial Institutions

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

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

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

- Mexican pension or retirement funds if managed by us or another entity that forms part of the financial group that we are part of; and

- We or another entity that forms part of our financial group acting in its capacity of trustee, representative, agent or attorney-in-fact if, by acting in such capacity, it has discretionary investment authority;

provided, *however*, that any Mexican financial entity or Mexican pension or retirement fund that is not otherwise prevented from investing in the Notes may acquire, together with any other such entity that is an affiliate or that forms part of the same Mexican financial group on a collective basis, up to 10% of the issue.

Notices

Notice to holders of the Notes will be given by mail to the addresses of such holders as they appear in the security register.

For so long as the Notes are listed on the Euro MTF market of the LuxSE, and so long as it is required by the rules of such exchange, the notices will be published in a leading newspaper having general circulation in Luxembourg (expected to be the *Luxemburger Wort*) or on the website of the LuxSE, www.bourse.lu.

Notices to holders shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Book-Entry System

The Notes are represented by one or more global notes. The global notes are deposited with, or on behalf of DTC. DTC acts as depositary. The Notes were registered in the name of DTC or its nominee.

The Notes were offered and sold in this initial offering in the United States solely to qualified institutional buyers under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following the offering, the Notes may be sold:

- to qualified institutional buyers under Rule 144A;
- to non-U.S. persons outside the United States in reliance on Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under “Transfer Restrictions.”

Rule 144A Global Notes

The Notes offered and sold to qualified institutional buyers under Rule 144A will be issued in the form of one or more registered notes in global form, without interest coupons (referred to collectively as the “Rule 144A Global Notes”). The Rule 144A Global Notes will be deposited on the date of the closing of the sale of the Notes with, or on behalf of, a custodian for DTC, and registered in the name of a nominee of DTC. Interests in the Rule 144A Global Notes will be available for purchase only by qualified institutional buyers.

Regulation S Global Notes

The Notes offered and sold in offshore transactions to persons which are non-U.S. persons in reliance on Regulation S are initially represented by one or more registered notes in global form, without interest coupons (referred to collectively as the “Regulation S Global Notes”) and have been deposited on the date of the closing of the sale of the Notes with, or on behalf of, a custodian for DTC, and registered in the name of a nominee of DTC.

Prior to the 40th day after the date of issuance of the Notes sold pursuant to Regulation S, any resale or transfer of beneficial interests in the Regulation S Global Notes to U.S. persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Investors may hold their interest in a Regulation S Global Note through organizations that are participants in the DTC system.

Exchanges Among the Global Notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note to a transferee who takes delivery of that interest through a Rule 144A Global Note will be made only in accordance with applicable procedures and upon receipt by the Trustee of a written certification from the transferee of the beneficial interest in the form provided in the indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A.

Transfers by an owner of a beneficial interest in a Rule 144A Global Note to a transferee who takes delivery of the interest through a Regulation S Global Note will be made only upon receipt by the Trustee of a certification from the transferor that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S or, if available, Rule 144A under the Securities Act.

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in that global note and become an interest in the other global note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Book-Entry Procedures for the Global Notes

Ownership of beneficial interests in a global note will be limited to DTC and to persons that may hold interests through institutions that have accounts with DTC, referred to as the participants. Beneficial interests in a global note will be shown on, and transfers of those ownership interests will be effected only through, records maintained by DTC and its participants for that global note. The conveyance of notices and other communications by DTC to its participants and by its participants to owners of beneficial interests in the Notes will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect.

DTC holds the securities of its participants and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts.

Principal and interest payments on the Notes represented by a global note will be made to DTC or its nominee, as the case may be, as the sole registered owner and the sole holder of the Notes represented by the global note for all purposes under the indenture. Accordingly, we, the Trustee and any paying agent will have no responsibility or liability for:

- any aspect of DTC's records relating to, or payments made on account of, beneficial ownership interests in a Note represented by a global note;

- any other aspect of the relationship between DTC and its participants or the relationship between those participants and the owners of beneficial interests in a global note held through those participants; or

- the maintenance, supervision or review of any of DTC's records relating to those beneficial ownership interests.

DTC has advised us that upon receipt of any payment of principal of or interest on a global note, DTC will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of that global note as shown on DTC's records. The initial purchaser of the Notes will initially designate the accounts to be credited. Payments by participants to owners of beneficial interests in a global note will be governed by standing instructions and customary practices, as is the case with securities held for customer accounts registered in "street names," and will be the sole responsibility of those participants.

Notes represented by a global note can be exchanged for definitive notes in registered form only if:

- DTC notifies us that it is unwilling or unable to continue as depositary for that global note or at any time DTC ceases to be a clearing agency registered under the Exchange Act, and a successor depositary is not appointed by us within 90 calendar days;

- we, in our sole discretion, determine that the global note will be exchangeable for definitive notes in registered form and notify the Trustee of our decision; or

- an Event of Default with respect to the Notes represented by that global note has occurred and is continuing.

A global note representing Notes that can be exchanged under the preceding sentence will be exchanged for definitive notes that are issued in authorized denominations in registered form for the same aggregate amount. Those definitive notes will be registered in the names of the owners of the beneficial interests in the global note as directed by DTC and may bear the legend as set forth under "Transfer Restrictions."

Except as provided above, owners of beneficial interests in a global note will not be entitled to receive physical delivery of Notes of the same or any other series in definitive form and will not be considered the holders of the Notes of any series for any purpose under the indenture and no Notes of a particular series represented by a global note will be exchangeable. Accordingly, each person owning a beneficial interest in a global note must rely on the procedures of DTC (and if that person is not a participant, on the procedures of the participant through which that person owns it interest) to exercise any rights of a holder under the indenture or that global note. The laws of some jurisdictions require that some purchasers of securities take physical delivery of the securities in definitive form. Those laws may impair the ability to transfer beneficial interests in a global note.

Registrar, Transfer Agent and Paying Agents

The Trustee will act as registrar for the Notes. The Trustee will also act as transfer agent and paying agent for the Notes. We have the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents in respect of the Notes. Registration of transfers of the Notes will be effected without charge, but upon payment (with the giving of such indemnity as we may require) in respect of any tax or other governmental charges that may be imposed in relation to it. We will not be required to register or cause to be registered the transfer of Notes after the Notes have been called for redemption.

For so long as the Notes are listed on the LuxSE for trading on the Euro MTF market, we will maintain a paying agent in Luxembourg. We have initially appointed The Bank of New York Mellon (Luxembourg), S.A. as Luxembourg paying agent and transfer agent.

Listing

We applied to list the Notes on the Official List of the LuxSE and to trade the Notes on the Euro MTF market. We will use our reasonable best efforts to maintain such listing, provided that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive we could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare its published financial information, or we determine that it is unduly burdensome to maintain a listing on the LuxSE, we may delist the Notes from the Euro MTF in accordance with the rules of the LuxSE and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the LuxSE or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as we may decide. Although there is no assurance as to the liquidity that may result

from a listing on the LuxSE, delisting the Notes from the LuxSE may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

The Trustee

The Bank of New York Mellon will act as Trustee under the indenture. Notices to the Trustee should be directed to the Trustee at 101 Barclay Street, 4th Floor East, New York, NY 10286. The Trustee also will initially act as registrar, transfer agent, paying agent and agent for service of demands and notices in connection with the Notes and the indenture. The Trustee may resign or be removed under circumstances described in the indenture and we may appoint a successor trustee to act in connection with the Notes. Any action described in this offering memorandum to be taken by the Trustee may then be taken by the successor trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with us or our affiliates with the same rights it would have if it were not trustee. Any paying agent, registrar or co-registrar may do the same with like rights.

The indenture contains some limitations on the right of the Trustee should it become a creditor of ours, to obtain payment of claims in some cases or to realize on some property received regarding any such claim, as security or otherwise. The Trustee will be permitted to engage in transactions with us. The occurrence of a default under the indenture could create a conflicting interest for the Trustee. In this case, if the default has not been cured or waived within 90 days after the Trustee has or acquires a conflicting interest, the Trustee generally is required to eliminate the conflicting interest or resign as Trustee for the Notes. In the event of the Trustee's resignation, we will promptly appoint a successor trustee for the Notes.

The Trustee may be removed by the holders of a majority of the outstanding Notes if an Event of Default under the indenture has occurred and is continuing. No resignation or removal of the Trustee and no appointment of a successor trustee shall be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the indenture.

Repayment of Monies; Prescription

The Trustee shall return to us upon written request any U.S. legal tender or U.S. government obligations held by it for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After return to us, holders entitled to the U.S. legal tender or U.S. government obligations must look to us for payment as general creditors unless an applicable abandoned property law designates another person and the Trustee shall have no further liability to the holders with respect to such U.S. legal tender or U.S. government obligations for that period commencing after the return thereof.

Governing Law; Consent to Jurisdiction

The indenture and the Notes will be governed by, and construed in accordance with, the law of the State of New York.

We will consent to the jurisdiction of the Supreme Court of the State of New York, Borough of Manhattan, County of New York or the United States District Court for the Southern District of New York and will agree that all disputes under the indenture may be submitted to the jurisdiction of such courts. We will irrevocably consent to and waive to the fullest extent permitted by law any objection that we may have to the laying of venue of any suit, action or proceeding against us or our properties, assets and revenues with respect to the indenture or any such suit, action or proceeding in any such court and any right to which we may be entitled on account of place of residence or domicile.

To the extent that we or any of our revenues, assets or properties shall be entitled to any immunity from suit, from the jurisdiction of any such court, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process remedy, we will irrevocably agree not to claim and will irrevocably waive such immunity to the fullest extent permitted by the laws of such jurisdiction.

We will agree that service of all writs, claims, process and summons in any suit, action or proceeding against us or our properties, assets or revenues with respect to the indenture or any suit, action or proceeding to enforce or execute any judgment brought against us in the State of New York may be made upon CT Corporation System, and we will irrevocably appoint CT Corporation System as our agent to accept such service of any and all such writs, claims, process and summonses.

Currency Rate Indemnity

We have agreed that, if a judgment or order made by any court for the payment of any amount in respect of any Notes is expressed in a currency other than U.S. dollars, we will, to the greatest extent permitted under applicable law, indemnify the relevant holder against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from our other obligations under the indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the indenture or the Notes.

Reports to Holders

So long as any Notes are outstanding, we will furnish to the Trustee:

(a) Within 120 days following the end of each of our fiscal years, (i) our consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the two most recent fiscal years in accordance with Mexican Banking GAAP (“GAAP”), which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission, together with an audit report thereon by our independent auditors, and (ii) the English version of our annual financial statements; and

(b) Within 60 days following the end of the fiscal quarter ending March 31, 2012, and of the first three fiscal quarters in each of our fiscal years thereafter, (i) quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto for us and our Restricted Subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission and (ii) our quarterly financial information included in the English version of the quarterly report of Grupo Financiero Mifel as provided to Grupo Financiero Mifel’s shareholders.

None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K as promulgated by the U.S. Securities and Exchange Commission. In addition, we shall furnish to the holders of the Notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as such Notes are not freely transferable under the Exchange Act by Persons who are not “affiliates” under the Securities Act.

In addition, if and so long as the Notes are admitted to listing on the Official List of the LuxSE and to trading on the Euro MTF market and the rules of the LuxSE so require, copies of such reports and information furnished to the Trustee will also be made available at the specified office of the paying agent in Luxembourg.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated as of May 10, 2012, the Initial Purchaser has agreed to purchase, and we have agreed to sell to the Initial Purchaser, the principal amount of the Notes set forth on the cover page of this offering memorandum.

The purchase agreement provides that the obligation of the Initial Purchaser to purchase the Notes is subject to various conditions. The Initial Purchaser is obligated to purchase all of the Notes if any are purchased.

The Initial Purchaser proposes to offer the Notes initially at the offering price on the cover page of this offering memorandum and may also offer the Notes to selling group members at the offering price less a selling concession. After the initial offering, the offering price may be changed. The Initial Purchaser or its affiliates may hold a portion of the outstanding Notes following this offering.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to persons in offshore transactions in reliance on Regulation S under the Securities Act. The Initial Purchaser has agreed that, except as permitted by the purchase agreement, it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells the Notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of such Notes within the United States, or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the Notes are restricted as described under “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

United Kingdom

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act, 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged with relevant persons.

In connection with any resale of the Notes in the United Kingdom the Initial Purchaser:

(a) is required only to communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

(b) is required to comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (as defined below) (each, a "Relevant Member State"), and with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of Notes in the resale offering contemplated by this offering memorandum may be made to the public in that Relevant Member State other than:

a) to legal entities that are authorized or regulated to operate in the financial markets or, of not so authorized or regulated, whose corporate purpose is solely to invest in securities;

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

c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Initial Purchaser; or

d) in any circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Bank or the Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "an offer of Notes to the public in relation to any Notes in any Relevant Member State" means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Mexico

The Notes have not been and will not be registered with the Mexican National Securities Registry (Registro Nacional de Valores) maintained by the CNBV and therefore the Notes may not be publicly offered or sold nor be the subject of brokerage activities in Mexico, except that the Notes may be offered in Mexico to institutional and qualified investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*). As required under the Mexican Securities Market Law, we will notify and file certain documentation with the CNBV regarding the offering of the Notes outside of Mexico. Such notice will be submitted to the CNBV to comply with a legal requirement and for information purposes only, and the delivery of such notice to, and the receipt of such notice by, the CNBV is not a requirement for the validity of the Notes, does not imply any certification as to the investment quality of the Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth herein.

Hong Kong

The Initial Purchaser may not (a) offer or sell in Hong Kong, by means of any document, any Notes other than to persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and (b) issue or have in its possession for the purpose of issue any invitation, advertisement or document relating to the Notes in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes intended to be disposed of to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and

Future Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Initial Purchaser may not circulate or distribute this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes and may not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act (the "SFA"), (b) to a sophisticated investor and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Switzerland

This offering memorandum, as well as any other material relating to the Notes which are the subject of the offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The Notes will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the Notes, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The Notes are being offered in Switzerland to a small number of selected investors only, without any public offer and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This document, as well as any other material relating to the Notes, is personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described in this offering memorandum and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

General

Purchasers of Notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

The Initial Purchaser and its affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchaser and its affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including commercial banking, financial advisory and investment banking services, for us and our affiliates in the ordinary course of business.

In the ordinary course of their various business activities, the Initial Purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Bank.

We have agreed to indemnify the Initial Purchaser against liabilities or to contribute to payments that it may be required to make in that respect.

We applied to list the Notes on the Official List of the LuxSE and to trade the Notes on the Euro MTF market. The Initial Purchaser has advised us that it intends to make a market in the Notes as permitted by applicable law. It is not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

The Initial Purchaser may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

We have agreed not to offer, sell, issue, contract to sell, pledge or otherwise dispose of, directly, or indirectly any United States dollar-denominated debt securities that are eligible to qualify as Tier 1 or Tier 2 capital issued or guaranteed by us and having a maturity of more than one year from the date of issue or any securities convertible or exchangeable or exercisable for any of its Notes (“Lock-up Securities”); offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities; enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities; establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act; or file with the SEC a registration statement under the Securities Act relating to Lock-Up Securities or publicly disclose the intention to take any such action without the prior written consent of the Initial Purchaser for a period of 90 days after the date of this offering memorandum.

TAXATION

The following discussion summarizes certain material Mexican federal tax and U.S. federal income tax consequences to beneficial owners arising from the purchase, ownership or disposition of the Notes. The summary does not purport to be a comprehensive description of all potential Mexican federal tax and U.S. federal income tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and is not intended as tax advice to any particular investor. This summary does not describe any tax consequences arising under the laws of any state, municipality or other taxing jurisdiction other than federal income tax consequences applicable in Mexico and the United States.

Prospective purchasers of the Notes should consult their own tax advisors as to the Mexican, United States or other tax consequences (including consequences arising under double-taxation treaties) of the purchase, ownership and disposition of the Notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, municipal, foreign or other tax laws.

Certain Mexican Income Tax Considerations

The following summary contains a description of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of Notes by a Non-Mexican Holder (as defined below). This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, hold or dispose of the Notes. In addition, it does not describe any tax consequences (i) arising under the laws of any taxing jurisdiction other than Mexico, (ii) arising under the laws other than the federal tax laws of Mexico (excluding the laws of any state or municipality within Mexico), or (iii) that are applicable to a resident of Mexico for tax purposes that may purchase, own or dispose of the Notes.

A "Non-Mexican Holder" is a holder who is not a resident of Mexico for tax purposes, as defined by the *Código Fiscal de la Federación* (the Mexican Federal Fiscal Code), or that does not conduct a trade or business in Mexico through a permanent establishment for tax purposes in Mexico to which income in respect of the Notes is attributable. Under Mexico's tax laws, a natural person is a resident of Mexico for tax purposes if the individual has established his or her home in Mexico. In the event the individual also has a home in another jurisdiction different from Mexico, the individual will be deemed a resident of Mexico for tax purposes when his or her "center of vital interests" is in Mexico. A "center of vital interests" is deemed to exist in Mexico if, among other considerations: (i) more than 50% of an individual's total income, in any calendar year, qualifies as Mexican source income, or (ii) when an individual's principal center of professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico in which their income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years. Mexican nationals are deemed Mexican residents for tax purposes, unless such nationals can demonstrate otherwise. A legal entity is a resident of Mexico if the main administration of its business or its place of its effective management is established in Mexico.

This summary is based upon the *Ley del Impuesto Sobre la Renta* (the Mexican Income Tax Law) and the Mexican Federal Fiscal Code in effect as of the date of this offering memorandum, all of which are subject to change.

Mexico has entered into, and is negotiating, several double taxation treaties with various countries, that may affect the Mexican withholding tax liabilities applicable to Non-Mexican Holders. Prospective purchasers of the Notes should consult their own tax advisers as to the tax consequences, if any, of such treaties.

Payments of Interest

Under the Mexican Income Tax Law, payments of interest we make in respect of the Notes (including payments of principal in excess of the issue price of the Notes, if any, which, under Mexican law, are deemed to be interest) to a Non-Mexican Holder, will be subject to a Mexican withholding tax assessed at a rate of 4.9%, if (i) the Notes are placed through banks or brokerage houses (casas de bolsa) in a country with which Mexico has entered into a tax treaty for the avoidance of double taxation, which is in effect, (ii) we deliver notice of the offering of the Notes to the CNBV in accordance with Article 7 of the *Ley del Mercado de Valores* (the Mexican Securities Market Law), and (iii) the information requirements specified by the SHCP or by the SAT under its general rules are satisfied. In addition, under the Mexican Income Tax Law, interest payments that a banking institution, such as us, makes to a Non-Mexican Holder are subject to a Mexican withholding tax assessed at a rate of 4.9%, regardless of whether the aforementioned requirements are met. Although the requirements described in (i) through (iii) above are expected to be satisfied, the applicable withholding tax rate is expected to be 4.9% regardless of their satisfaction because of the benefit of the application of the 4.9% withholding tax rate on interest payments to non-residents of Mexico for tax purposes, which benefits Mexican banking institutions.

A higher income tax withholding rate (up to a maximum of 30%) will be applicable when the effective beneficiaries of payments treated as interest, whether directly or indirectly, individually or collectively with related persons, who receive more than 5% of the aggregate amount of such payments of interest on the Notes, are (i) our shareholders who own, directly or indirectly, individually or collectively with related persons, more than 10% of our voting stock, or (ii) entities more than 20% of whose stock is owned, directly or indirectly, individually or collectively with related persons, by us or by persons related to us. For such purposes, under the Mexican Income Tax Law, persons are considered related if one possesses an interest in the business of the other, common interests exist between them, or a third person holds an interest in the business or property of both persons.

Payments of interest we make in respect of the Notes to a non-Mexican pension or retirement fund will be generally exempt from Mexican withholding taxes, provided that (i) the fund is the effective beneficiary of such interest income, (ii) the fund is duly established pursuant to the laws of its country of residence, (iii) the relevant interest income is exempt from taxation in such country, and (iv) the fund is duly registered with the SAT in accordance with certain general rules issued for these purposes.

We have agreed, subject to specified exceptions and limitations, to pay additional amounts to Non-Mexican Holders of the Notes in respect of the Mexican withholding taxes attributable to interest payments mentioned above. If we pay additional amounts in respect of such Mexican withholding taxes attributable to interest payments, any refunds of such additional amounts will be for our account. See “Description of Notes—Payment of Additional Amounts.” Holders or beneficial owners of the Notes may be requested to provide information or documentation necessary to enable us to determine the appropriate Mexican withholding tax rate applicable to interest and deemed interest payments made to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not provided on a complete or timely basis, our obligations to pay additional amounts may be limited as set forth under “Description of Notes — Payment of Additional Amounts.”

Under the Mexican Income Tax Law, payments of principal we make to a Non-Mexican Holder of the Notes will not be subject to any Mexican withholding or similar taxes.

Sale or Other Disposition of the Notes

Under the Mexican Income Tax Law and regulations thereunder, capital gains resulting from the sale or other disposition of the Notes by a Non-Mexican Holder to another Non-Mexican Holder are not taxable in Mexico. Gains resulting from the sale or other disposition of the Notes by a Non-Mexican Holder to a Mexican resident for tax purposes or to a Non-Mexican Holder deemed to have a permanent establishment in Mexico for tax purposes or by a Mexican resident or foreign holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to the Mexican withholding taxes pursuant to the rules described above in respect of interest payments. A Non-Mexican Holder will not be

liable for Mexican estate, gift, inheritance or similar taxes with respect to the acquisition, ownership, or disposition of the Notes, nor will it be liable for any Mexican stamp, issue, registration or similar taxes.

Certain U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT ANY DISCUSSION OF U.S. FEDERAL TAX MATTERS SET FORTH HEREIN WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PROSPECTIVE INVESTOR, FOR THE PURPOSE OF AVOIDING PENALTIES UNDER U.S. TAX LAW. EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion, subject to the limitations and conditions set forth herein, describes certain U.S. federal income tax considerations to U.S. Holders and Non-U.S. Holders (each as defined below)(collectively, "Holders") in acquiring, owning and disposing of Notes. The discussion is only applicable to Holders that hold Notes as "capital assets" (generally for investment purposes), and who purchase Notes pursuant to this offering at their initial "issue price" (generally, the first price at which a substantial amount of the Notes is sold to the public, excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Notwithstanding the above, the discussion below in "—Recently Enacted Legislation" applies to all Holders of the Notes.

This discussion does not address all aspects of U.S. federal income taxation that may be applicable to a Holder of Notes subject to special treatment under U.S. federal income tax law (including, but not limited to, banks, tax-exempt organizations, regulated investment companies, real estate investment trusts, insurance companies, dealers in securities or foreign currencies, traders who elect to mark their investment to market, U.S. expatriates, partnerships or other pass-through entities (or investors in such entities), Holders who have a functional currency other than the U.S. dollar or Holders that hold Notes as part of a hedge, constructive sale, straddle, conversion or integrated transaction).

This discussion does not address any state, local, or foreign tax consequences of the acquisition, ownership or disposition of Notes. In addition, this discussion does not address any U.S. federal tax consequences other than U.S. federal income tax consequences, such as the estate and gift tax, the alternative minimum tax or the Medicare tax on net investment income. The discussion below is based upon the provisions of the Code, U.S. Treasury regulations, rulings and other pronouncements of the U.S. Internal Revenue Service (the "IRS") and judicial decisions as of the date hereof. Such authorities may be repealed, revoked or modified (with possible retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below.

Holders of Notes are urged to consult their own independent tax advisors concerning the U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes in light of their particular situations, as well as any consequences arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is (i) an individual who is a citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (X) that is subject to the primary supervision of a court within the United States and the control of one or more United States persons as described in Section 7701(a)(30) of the Code or (Y) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

As used herein, the term "Non-U.S. Holder" means a beneficial owner of the Notes that is neither a U.S. Holder nor a partnership (or other entity classified as a partnership for U.S. federal income tax purposes).

If a partnership (or an entity classified as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A Holder that is a partner of a partnership holding Notes is urged to consult its tax advisors regarding the consequences of the acquisition, ownership and disposition of Notes.

Characterization of the Notes

We have concluded, and this discussion assumes, that, as of the date of this offering memorandum, the likelihood of the occurrence of a Suspension Period is "remote" within the meaning of the applicable U.S. federal income tax regulations. Therefore, we expect, and this discussion assumes, that our ability to extend the maturity of the Notes or to defer payments of interest and principal in certain situations will not cause the Notes to be classified as "contingent payment debt instruments" or as an instrument other than debt for U.S. federal income tax purposes or for payments of stated interest to fail to be classified as "qualified stated interest" for these purposes. In the absence of any change or clarification in the law, by regulation or otherwise, requiring a different characterization of the Notes, we intend to so treat the Notes, including, where required, filing information returns with the IRS, in accordance with this classification. However, no rulings have been or will be sought from the IRS with respect to the Notes. If these conclusions are successfully challenged by the IRS, U.S. Holders would be subject to different rules than those described below, which may affect the timing and character of income, gain or loss recognized in respect of a Note. For example, it is possible that the Notes could be treated as equity interests in us for U.S. federal income tax purposes. Treatment of the Notes as equity interests could have adverse tax consequences to certain Holders. Prospective investors should consult their tax advisors with respect to these matters and the significance of a possible recharacterization in their particular situations.

U.S. Holders

Taxation of Payments of Interest and Additional Amounts

We expect, and this discussion assumes that the Notes will not be issued with more than *a de minimis* amount of original issue discount ("OID") for U.S. federal income tax purposes.

In general, interest paid on a Note (including Additional Amounts, if any) will be included in the gross income of a U.S. Holder as ordinary interest income at the time it is treated as received or accrued, in accordance with the U.S. Holder's regular method of tax accounting. If, however, we suspend or defer payments of stated interest on the Notes, the Notes may be treated as retired and reissued with OID at such time. If the Notes are treated as OID instruments, a determination will be made whether and to what extent income must be accrued with respect to the Notes. U.S. Holders of Notes may be required to include accrued interest in their income for U.S. federal income tax purposes before receiving any cash distributions. U.S. Holders of the Notes should seek the advice of their tax advisors in the event that we suspend or defer payments on the Notes.

If Mexican or other withholding taxes are imposed (including withholding tax on payments of Additional Amounts), U.S. Holders will be treated as having actually received an amount equal to the amount of such taxes and as having paid such amount to the relevant taxing authority. As a result, the amount of income included in gross income by a U.S. Holder may be greater than the amount of cash actually received by the U.S. Holder. Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability for Mexican or other income taxes withheld by us. Alternatively, a U.S. Holder may elect to claim a deduction for such Mexican or other income taxes in computing its U.S. federal taxable income provided that the election shall apply to all foreign income taxes paid or accrued by the U.S. Holder for the taxable year. Interest received or accrued on the Notes and Additional Amounts generally will constitute foreign source income to U.S. Holders for U.S. foreign tax credit purposes. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets," and the credit for foreign taxes paid or accrued with respect to foreign source income in any basket is limited to U.S. federal income tax allocable to that income. Interest on the Notes generally will be in the "passive category income" basket. The calculation of U.S. foreign tax credits and,

in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should, therefore, consult their own tax advisors regarding the application of the U.S. foreign tax credit rules.

Sale, Exchange, Retirement and Other Taxable Disposition of the Notes

A U.S. Holder will generally recognize gain or loss on the sale, exchange, retirement or other taxable disposition of a Note in an amount equal to the difference between (i) the amount of cash and the fair market value of property received by such U.S. Holder on such disposition (less any amounts attributable to accrued but unpaid interest, which will be taxable as ordinary interest income), and (ii) the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's initial tax basis in a Note will generally equal the acquisition cost of such Note to the U.S. Holder. Gain or loss with respect to a taxable disposition of a Note generally will be U.S. source capital gain or loss. Capital gains of certain non-corporate U.S. Holders, including individuals, derived with respect to capital assets held for over one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

A Non-U.S. Holder generally will not be subject to withholding of U.S. federal income tax on payments in respect of the Notes. In addition, a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of the Notes, unless (1) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States (and, if required under an applicable income tax treaty, is attributable to a permanent establishment or, in the case of an individual Non-U.S. Holder, a fixed base maintained in the United States by the Non-U.S. Holder), or (2) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met. If the first exception (1) applies, the Non-U.S. Holder generally will be subject to tax at a rate of 30% on the amount by which the gains derived from the sales that are from United States sources exceed capital losses allocable to United States sources. If the second exception (2) applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to the gain in the same manner as a U.S. Holder, as described above. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Backup Withholding and Information Reporting

In general, payments of principal and interest, and payments of the proceeds of a sale, exchange retirement and other taxable disposition of Notes, paid within the United States or through certain United States-related financial intermediaries to a U.S. Holder, may be subject to information reporting and backup withholding unless the U.S. Holder (i) is an exempt recipient, such as a corporation or (ii) in the case of backup withholding (but not information reporting), provides an accurate taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Non-U.S. Holders are generally exempt from backup withholding so long as such Non-U.S. Holders provide us (or our paying agent) with a properly executed appropriate IRS Form W-8 (or other applicable form).

Backup withholding is not an additional tax. The amount of any backup withholding from a payment will be allowed as a refund or a credit against the Holder's U.S. federal income tax liability provided the required information is timely provided to the IRS.

Recently enacted legislation requires certain U.S. Holders to report information to the IRS with respect to their investment in the Notes if such Notes are not held through a U.S. financial institution and certain other conditions apply. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Notes.

Recently Enacted Legislation

Pursuant to the U.S. Foreign Account Tax Compliance Act ("FATCA"), a foreign financial institution (as defined under FATCA) ("FFI") may be subject to withholding on certain income with U.S. connections unless, among other things, it enters into, and complies with, an agreement with the IRS to provide certain information about its account holders, which may include for this purpose the holders of certain debt or equity interests that are issued by the FFI and that are not regularly traded on an established securities market. We believe that we will be a FFI for this purpose, and it is possible that we will enter into such an agreement with the IRS to avoid this withholding tax on our income. Under these rules and pursuant to such an agreement with the IRS, we or another applicable withholding agent may be required to withhold U.S. tax at a rate of 30% on a portion of payments on, or payments of the gross proceeds from a sale, exchange, retirement or other taxable disposition of, the Notes if such a payment is made both (a) after January 1, 2017 and (b) to a person that is, or that holds the Notes through an intermediary that is, an FFI that has not entered into an agreement of the type described above (a "non-participating FFI").

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of the presence of an intermediary that is a non-participating FFI, neither we, any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts due to the deduction or withholding of such tax. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Notes.

EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), each European Union ("EU") member state is required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other member state. However, for a transitional period, Austria and Luxembourg will (unless during such period they elect otherwise) instead operate a withholding system in relation to such payments. Under such a withholding system, the beneficial owner of the interest payment must be allowed to elect that certain provision of information procedures should be applied instead of withholding. The rate of withholding is 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries, and certain dependent or associated territories of certain member states, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or secured by such a person for, to an individual resident in another member state. In addition, the member states have entered into provision of information or transitional withholding arrangements with certain of those countries and territories in relation to payments made by a person in a member state to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, one of those countries or territories.

A proposal for amendments to the Savings Directive has been published, including a number of suggested changes which, if implemented, would broaden the scope of the rules described above. Investors who are in any doubt as to their position should consult their professional advisers.

As indicated above under "Description of the Notes—Payment of Additional Amounts", we undertake to comply with the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 that may be brought into force and to use our best efforts to maintain a paying agent in a EU member state that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

CERTAIN ERISA CONSIDERATIONS

A fiduciary of (a) an employee benefit plan that is subject to the fiduciary responsibility part of ERISA, (b) a plan that is subject to Section 4975 of the Code or (c) an entity the underlying assets of which are deemed to constitute the assets of a plan within the meaning of (a) or (b) (a "Plan") should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence, diversification and delegation of control requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. Under ERISA and the Code, any person who exercises any discretionary authority or control over the management or administration of such a Plan or any authority or control over the management or disposition of the assets of such a Plan, or who renders investment advise for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("Parties in Interest") with respect to the Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. In addition, the fiduciary of a Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) and any entities the underlying assets of which are deemed to constitute the assets of such plan ("Non-ERISA Arrangements") are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws ("Similar Laws").

The acquisition, holding and/or disposition of the Notes by a Plan with respect to which we or certain of our affiliates is or becomes a Party in Interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired, held or disposed of pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or "PTCEs", that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more, or receives no less, than "adequate consideration" in connection with the

transaction (the “service provider exemption”). There can be no assurance that any of these statutory or class exemptions (or any other exemption) will be available with respect to transactions involving the Notes.

Any purchaser or holder of Notes or any interest therein, including any transferee of such Note or interest, and each fiduciary who causes any entity to purchase Notes or any interest therein, will be deemed to have represented by its purchase and holding of the Notes or such interest, on each day such purchaser or holder holds such Notes or interest, that it either (1) is not a Plan or a Non-ERISA Arrangement and is not purchasing those Notes or such interest on behalf of or with the assets of any Plan or Non-ERISA Arrangement or (2) with respect to the purchase, holding and disposition of the Notes or such interest and any transaction contemplated under or in connection with the Notes is eligible for the exemptive relief available under any of the PTCEs listed above, the service provider exemption or another applicable exemption under ERISA or the Code (or, in the case of non-ERISA arrangement, under Similar Law).

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any purchase or holding under Similar Laws, as applicable. If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in Notes, you should consult your legal counsel.

TRANSFER RESTRICTIONS

Because of the following restrictions, *investors are advised to consult legal counsel prior to making any offer*, *resale*, *pledge or other transfer of the Notes.*

The Notes have not been registered under the Securities Act and are subject to restrictions on transfer. They may not be offered or sold within the United States except:

- in compliance with the registration requirements of the Securities Act and all applicable securities laws of the states of the United States; or

- pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable securities law of the states of the United States.

Accordingly, the Notes are being offered and sold only:

- inside the United States to qualified institutional buyers as defined in Rule 144A in compliance with exemptions from the registration requirements of the Securities Act; and

- outside the United States in offshore transactions in accordance with Rule 903 of Regulation S.

Each purchaser of the Notes in the United States will be deemed to have represented and agreed as follows:

- the purchaser is either (1) a qualified institutional buyer and is aware that the sale of the Notes to it is being made in reliance on exemptions from the registration requirements of the Securities Act and such acquisition will be for its own account or for the account of a qualified institutional buyer or (2) a person who, at the time the buy order for the Notes was originated, was outside the United States and was not a U.S. person (and was not purchasing for the account or benefit of a U.S. person) within the meaning of Regulation S under the Securities Act;

In making its decision to purchase the Notes, each purchaser understands and acknowledges that:

- it has made its own investment decision regarding the Notes based on its own knowledge;

- it has had access to such information as it deems necessary or appropriate in connection with its purchase of the Notes;

- it has sufficient knowledge and experience in financial and business matters and expertise in assessing credit, market and all other relevant risk and is capable of evaluating, and has evaluated independently, the merits, risks and suitability of purchasing the Notes;

- the Notes have not been, nor will they be, registered under the Securities Act and may not be re-offered, resold, pledged or otherwise transferred except (1)(A) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (2) in accordance with all applicable securities laws of the states of the United States; and

- The Notes will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

- UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), NEW YORK,

NEW YORK TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF HAS AN INTEREST HEREIN.

- TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

- UNTIL IN THE CASE OF THE 144A NOTES ONE YEAR, AND IN THE CASE OF THE REGULATION S NOTES 40 DAYS AFTER THE COMMENCEMENT OF THE OFFERING, AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.

- THE NOTE REPRESENTED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (2) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON THE HOLDER'S BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULES 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (5) PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, ACCOMPANIED BY AN OPINION OF COUNSEL REGARDING THE AVAILABILITY OF SUCH EXEMPTION OR (6) TO THE ISSUER OR AN AFFILIATE OF THE ISSUER AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN THIS LEGEND.

- the Notes, or any interest therein may not be purchased or held by (i) any plan, program or arrangement subject to ERISA, Section 4975 of the Code or comparable provisions of any federal, state, local or foreign law ("Similar Law") or (ii) any person acting on behalf of or using the assets of any such plan, program or arrangement, unless such purchase and holding is covered by the exemptive relief provided by (i) PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, (ii) Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or (iii) another applicable exemption. Any purchaser or holder of Notes or any interest therein will be deemed to have represented by its purchase or holding thereof that either (i) it is not a plan, program or arrangement subject to ERISA, Section 4975 of the Code or substantially similar provisions of any federal, state local or foreign

law and it is not purchasing securities on behalf of or using the assets of any such plan, program or arrangement or (ii) such purchase and holding and any subsequent disposition of such Notes, or any interest therein is covered by the exemptive relief provided by (i) PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, (ii) Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or (iii) another applicable exemption under ERISA or the Code (or, in the case of a plan, program or arrangement not subject to ERISA or the Code, under Similar Law). Prospective purchasers must carefully consider the restrictions on purchase set forth in "Transfer Restrictions" and "Certain ERISA Considerations".

We make no representation as to the availability of the exemption provided by Rule 144 for resales of the Notes.

We acknowledge that so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, holders of such restricted securities, and prospective purchasers (as designated by such holders) of such restricted securities, will have the right to obtain upon request any information required to be provided by Rule 144A(d)(4) under the Securities Act during any period in which we are not subject to and in compliance with Section 13 or 15(d) of the Exchange Act, or we are not exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the Exchange Act.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon for us by Ritch Mueller, S.C., as to matters of Mexican law, and by Milbank, Tweed, Hadley & McCloy LLP, as to matters of U.S. Federal and New York law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchaser by Cleary Gottlieb Steen & Hamilton LLP as to matters of U.S. Federal and New York law and by White & Case, S.C. as to matters of Mexican law.

INDEPENDENT ACCOUNTANTS

Our audited financial statements as of December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011 included in this offering memorandum have been audited by PricewaterhouseCoopers, S.C., independent auditors, as stated in their report included herein.

GENERAL INFORMATION

Clearing Systems

The Notes have been accepted for clearance and settlement through Euroclear and Clearstream. In addition, the Notes have been accepted for trading in book-entry form by DTC. For the Rule 144A Note, the ISIN number is US059447AB87, the CUSIP number is 059447 AB8, and the common code is 078359919. For the Regulation S Note, the ISIN number is USP07409AB44, the CUSIP number is P07409 AB4 and the common code is 078359927.

Listing

We applied to list the Notes on the Official List of the LuxSE and to trade on the Euro MTF market of that exchange. Copies of our bylaws and the indenture, as they may be amended or supplemented from time to time, our published annual audited financial statements as of December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011, as well as all of our future published annual and interim financial statements and any published quarterly unaudited financial statements will be available free of charge at our principal executive offices, as well as at the offices of the Trustee, registrar, paying agent and transfer agent, and at the offices of the Luxembourg listing agent, paying agent and transfer agent, as such addresses are set forth in this offering memorandum. The auditor's reports included herein have been accurately reproduced. We will maintain a paying and transfer agent in Luxembourg for so long as the Notes are listed on the official list of the LuxSE.

The Notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the CNBV, and may not be offered or sold publicly in Mexico, except that the Notes may be offered to institutional and qualified investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*). As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Notes outside of Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for information purposes only, and the delivery of such notice to and the receipt by the CNBV does not imply any certification as to the investment quality of the Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth herein. The information contained in this offering memorandum is exclusively our responsibility and has not been reviewed or authorized by the CNBV. The acquisition of the Notes by an investor who is a resident of Mexico will be made under its own responsibility.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance of the Notes and the performance of our obligations thereunder, including the authorization of *Banco de México* on April 24, 2012.

Responsibility and No Material Adverse Change

Banca Mifel accepts responsibility for the information contained in this offering memorandum and, to the best of its knowledge and belief (after taking all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to have a material effect on such information. Except as disclosed in this offering memorandum, there has not been any significant change in our financial or trading position since the date of our last published annual financial statements included in this offering memorandum and there has not been any material adverse change in our business prospects since the date of our last published audited financial statements included in this offering memorandum.

No Litigation

Except as disclosed herein, the Bank is not involved in any governmental litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes; nor so far as they are aware is any such governmental litigation or arbitration proceeding pending or threatened.

Notices

As long as the Notes are listed on the LuxSE and its rules so require, in case of any material change concerning the Notes, the Luxembourg paying agent and/or the Luxembourg transfer agent, we will publish a notice in a newspaper having general circulation in Luxembourg and/or on the website of the LuxSE. Holders will be presumed to have received any such notice on the date we first publish it.

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Report of independent accountants

Mexico City, February 28, 2012

To the Stockholders of
Banca Mifel, S. A., Institución de Banca Múltiple,
Grupo Financiero Mifel

We have audited the balance sheets of Banca Mifel, S. A., Institución de Banca Múltiple, Grupo Financiero Mifel (Bank) at December 31, 2011 and 2010, and the related statements of income, of changes in stockholders' equity and of cash flows for the years ended December 31, 2011, 2010 and 2009. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with the accounting practices prescribed by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or "Commission" or "CNBV"). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit also includes assessing the accounting principles 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 mentioned in Note 3f. to the financial statements, during 2011 the Commission issued new methodologies for rating the mortgage and non-revolving consumer loans as well as the commercial portfolio granted to states and municipalities. The change in methodologies was recognized prospectively and resulted in a decrease in the allowance for loan losses of Ps. 7 million (mortgage and non-revolving consumers loans) and of Ps.46 million (commercial loans granted to states and municipalities), as compared to the allowance for loan losses required in the month prior to the adoption of the new methodology. Consequently, the financial statements of 2011, 2010 and 2009 are not comparable.

As mentioned in Note 24 to the financial statements, the Commission provided the Bank an accounting accommodation through statement number 100/012/2011 dated July 11, 2011, in conformity with the provisions of article 175 of the General Dispositions Applicable to Credit Institutions, in connection with the corporate structuring process conducted to strengthen the operating and control framework of the Bank. This accounting accommodation caused the direct recognition in retained earnings of certain commissions relating to loan structuring and professional services performed by the Bank which had previously been recognized in the statements of income during the years ended December 31, 2010 and 2009, and presenting the corresponding amount within liabilities until earned under the criterion of the Commission. The net effect of this entry represented a charge to retained earnings during 2011 of Ps.83 million. Beginning in 2011, Bank's policies for recognizing such commissions and professional services were modified accordingly and, as a result, the financial statements of 2011, 2010, and 2009 are not comparable.

As mentioned in Note 2 to the financial statements, the Bank is required to prepare and present its financial statements as per the accounting rules and practices issued by the Commission applicable to credit institutions, which, in the cases mentioned in that note, differ from Mexican Financial Reporting Standards.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Banca Mifel, S. A., Institución de Banca Múltiple, Grupo Financiero Mifel, at

December 31, 2011 and 2010, and the results of its operations, the changes in its stockholders' equity and its cash flows for the years ended December 31, 2011, 2010 and 2009, in conformity with the accounting bases issued by the Commission.

/s/ PricewaterhouseCoopers, S. C.

Nicolas German Ramirez
Audit Partner

Banca Mifel, S. A., Institución de Banca Múltiple, Grupo Financiero Mifel

Balance sheets
(Notes 1, 2, 3, 4, 18, 21, 22, 23, 24, 26 and 30)
December 31, 2011 and 2010

Millions of Mexican pesos

Assets	2011	2010
Cash and due from banks (Note 5)	Ps. 2,663	Ps. 2,957
Margin accounts	-	1
Investments in securities (Note 6):		
Trading	7,929	13,652
Available for sale	46	37
Held to maturity	12,336	3,781
	20,311	17,470
Derivatives financial instruments (Note 8)	-	2
Adjustment related to changes in the fair value of hedged item	158	140
Performing loans (Note 9):		
Commercial loans	12,281	14,143
Consumer loans	24	41
Mortgages loans	816	688
Total performing loans	13,121	14,872
Non-performing loans (Note 9):		
Commercial loans	514	365
Consumer loans	9	8
Mortgages loans	113	82
Total non-performing loans	636	455
Total loan portfolio	13,757	15,327
Less:		
Allowance for loan losses (Note 9)	(366)	(502)
Loan portfolio - Net	13,391	14,825
Other accounts receivable - Net (Note 10)	666	595
Foreclosed assets - Net (Note 11)	11	8
Property, furniture and equipment - Net (Note 12)	256	167
Equity Investments	5	2
Deferred taxes and employees' statutory profit Sharing - Net (Note 20)	197	112
Other assets - Net (Note 13)		
Deferred charges, advance payments and intangibles	551	356
Other short and long-term assets	6	6
Total assets	Ps.38,215	Ps.36,641

Liabilities and Stockholders' Equity	2011	2010
Liabilities		
Deposits: (Note 14)		
Demand deposits	Ps. 3,437	Ps. 2,916
Time deposits:		
General public	6,115	5,172
Money market	11,236	11,882
Bank bonds	78	77
	20,866	20,047
Interbank loans and loans from other entities (Note 15):		
Short-term	2,719	3,937
Long-term	766	812
	3,485	4,749
Creditors under agreements to repurchase (Note 7)	9,545	8,150
Derivatives financial instruments (Note 8):		
For trading	1	1
For hedging	181	147
	182	148
Other accounts payable (Note 16):		
Tax on profits payable	4	16
Employees' statutory profit sharing payable	-	15
Sundry creditors and other accounts payable	1,255	909
	1,259	940
Outstanding subordinated debentures (Note 17)	1,424	1,262
Deferred credits, net	65	43
Total liabilities	36,826	35,339

Stockholders' equity (Note 19):		
Stockholders' equity:		
Capital stock	1,171	1,171
	1,171	1,171
Earned Capital:		
Capital reserves	100	78
Retained Earnings	(42)	(152)
Net unrealized gain on valuation of available for sale securities	7	3
Result from valuation of cash-flow hedges	(14)	(13)
Net income	167	215
	218	131
Total stockholders' equity	1,389	1,302
Total liabilities and stockholders' equity	Ps.38,215	Ps. 36,641

The accompanying thirty notes are an integral part of these financial statements.

Millions of Mexican pesos, except for per share data

	2011	2010	2009
Interest income (Note 27)	Ps. 2,554	Ps. 2,451	Ps. 1,950
Interest expense (Note 27)	(1,682)	(1,548)	(1,429)
Financial margin	872	903	521
Provision for loan losses (Note 9)	(135)	(284)	(154)
Financial margin after provision for loan losses	737	619	367
Commissions and fees received	116	106	93
Commissions and fees paid	(49)	(49)	(48)
Net gain or (loss) in Brokerage operations (Note 27)	167	(24)	66
Other operating income – Net (Note 27)	56	284	151
Administrative and promotional expenses	(926)	(726)	(559)
Income before income taxes	101	210	70
Current income tax expense (Note 20)	-	42	13
Deferred income tax benefit (Note 20)	(66)	(47)	-
Total income tax expense (benefit)	(66)	(5)	13
Net income	Ps. 167	Ps. 215	Ps. 57
Profit per share (pesos)	Ps. 310	Ps. 398	Ps. 116

The accompanying thirty notes are an integral part of these financial statements.

Banca Mifel, S. A., Institución de Banca Múltiple, Grupo Financiero Mifel

Statements of Changes in Stockholders' Equity
For the years ended on December 31, 2011, 2010 and 2009
(Note 19)

Millions of Mexican pesos

	Paid-in capital	Earned surplus					
Item	Capital stock	Capital reserves	Retained earnings	Net unrealized gain (loss) from available for sale securities	Result from valuation of cash flow hedges	Net Income	Total stockholders' equity
Balances at December 31, 2008	Ps. 1,121	Ps. 72	(Ps.185)	(Ps.30)	(Ps. 7)	(Ps. 18)	Ps 953
CHANGES RELATED TO STOCKHOLDERS' RESOLUTIONS:							
Application of 2008 net income to capital reserves	-	-	(18)	-	-	18	-
	-	-	(18)	-	-	18	-
CHANGES RELATED TO RECOGNITION OF COMPREHENSIVE INCOME:							
Net income	-	-	-	-	-	57	57
Gain from valuation of available for sale securities	-	-	-	29			29
Loss from valuation of derivative financial instruments	-	-	-		(3)		(3)
	-	-	-	29	(3)	57	83
Balances at December 31, 2009	1,121	72	(203)	(1)	(10)	57	1,036
CHANGES RELATED TO STOCKHOLDERS' RESOLUTIONS:							
Share issuance	50						50
Application of 2009 net income to capital reserves		6	(6)				
Transfer of net income to retained earnings			57			(57)	
Total	50	6	51			(57)	50
CHANGES RELATED TO RECOGNITION OF COMPREHENSIVE INCOME:							
Net income						215	215
Gain or loss from valuation of available for sale securities				4			4
Gain (loss) from valuation of derivative financial instruments					(3)		(3)
Total				4	(3)	215	216
Balances at December 31,2010	1,171	78	(152)	3	(13)	215	1,302
CHANGES RELATED TO STOCKHOLDERS' RESOLUTIONS:							
Capital reserves		22	(22)				
Transfer of net income to retained earnings			215			(215)	
Total		22	193			(215)	-
CHANGES RELATED TO RECOGNITION OF COMPREHENSIVE INCOME:							
Net income						167	167
Gain or loss from valuation of available for sale securities				4			4
Gain (loss) from valuation of derivative financial instruments					(1)		(1)
Total				4	(1)	167	170
Effect of the accounting accommodation (Note 24)			(83)				(83)
Balances at December 31, 2011	Ps. 1,171	Ps. 100	(Ps. 42)	Ps. 7	(Ps. 14)	Ps. 167	Ps. 1,389

The accompanying thirty notes are an integral part of these financial statements.

Banca Mifel, S. A., Institución de Banca Múltiple, Grupo Financiero Mifel

Statements of cash flows
December 31, 2011, 2010 and 2009

Millions of Mexican pesos

	2011	2010	2009
Net income	Ps. 167	Ps. 215	Ps. 57
Adjustment from items not implying cash flows:			
Provision for loan losses	135	284	154
Other allowances on doubtful accounts	6	2	5
Depreciation and amortization	31	29	28
Provisions and reserves	-	20	17
Current and deferred income tax	(66)	(5)	13
Other	(49)	72	9
	57	402	226
Changes in operating assets and liabilities			
Decrease (increase) in margin accounts	1	1	(2)
Decrease (increase) in investments in securities	(2,822)	(5,343)	2,256
(Increase) decrease in repurchase-agreements	(231)	288	(550)
Decrease in derivative financial instruments	1	8	8
Decrease (increase) in loan portfolio	1,496	(2,173)	(5,008)
Increase in foreclosed assets	(3)	(1)	(6)
Increase in deposits	756	6,546	5,210
Decrease in loans from other entities	(1,271)	(1,727)	3,051
Increase (decrease) in creditors under agreements to repurchase	1,392	914	(4,107)
Increase (decrease) in collateral sold or given in guarantee	231	(288)	550
Increase in derivative financial instruments	26	95	
Other	(103)	(55)	4
Net cash flows provided by (used in) operating activities	(527)	(1,735)	1,406
Investment activities			
Disposal of property, furniture and equipment	1	1	1
Acquisition of property, furniture and equipment	(122)	(50)	(19)
Acquisition of other permanent investments	(3)	-	-
Net cash flows used in investment activities	(124)	(49)	(18)
Financing activities			
Issuance of shares	-	50	
Payments related to subordinated debentures	133	(100)	(107)
Net cash flows provided by financing activities	133	(50)	(107)
Net increase or decrease in cash	(294)	(1,217)	1,564
Cash and dues from banks at beginning of period	2,957	4,174	2,610
Cash and dues from banks at end of period	Ps. 2,663	Ps. 2,957	Ps. 4,174

The accompanying thirty notes are an integral part of these financial statements.

Millions of Mexican pesos, except numbers of shares, par value thereof, price per share and exchange rates

Note 1 - Activities of the bank:

Banca Mifel, S. A., Institución de Banca Múltiple, *Grupo Financiero Mifel (the "Bank")* was authorized by the Ministry of Finance (SHCP by its initials in Spanish) to be incorporated and to operate as a multiple banking institution through statement number 1022-E-367-DGBM-III-A-3232 dated September 7, 1993. The Bank was incorporated on December 3, 1993.

The Bank is mainly engaged in providing banking and loan services, under the provisions of the Mexican Law of Credit Institutions (LIC or the "Law"), such as receiving deposits and other funding from clients in Mexico for its placement among the general public, and granting loans, entering into repurchase and resale transactions, carrying out derivative transactions (future and forward contracts, options, caps, swaps and foreign currency hedges), foreign currency exchange; as well as undertaking any other commercial banking transactions as permitted by the LIC and regulated by SHCP, Banco de México ("Banxico" or "Central Bank") and supervised by the National Banking and Securities Commission ("Comisión Nacional Bancaria y de Valores" or "Commission" or "CNBV").

The Bank belongs to Grupo Financiero Mifel, S. A. de C. V., ("Grupo Financiero Mifel"). The main regulatory aspects require that the Bank maintain a minimum capitalization index in relation to the market and credit risks for its operations, comply with certain limits on the acceptance of deposits, obligations and other types of funding that can be denominated in foreign currency, as well as minimum limits on paid-in capital and capital reserves.

The Bank is regulated by the LIC, as well as by Banxico and the provisions issued by the Commission, as the oversight body for these institutions.

Note 2 - Basis for preparation of the financial information:

The financial statements at December 31, 2011 and 2010 have been prepared for compliance with Mexican Banking GAAP (accounting criteria issued by the Commission applicable to credit institutions), referred herein as "Mexican Banking GAAP" or "Accounting Criteria", which differ from Mexican Financial Reporting Standards (MFRS) issued by the Mexican Financial Reporting Standards Board (CINIF for its acronym in Spanish), as concerns the matters mentioned in points: b., e., f., g., h. y cc. of Note 3.

For this purpose, the Bank has prepared the statement of income under requirements of the CNBV, which differ from MFRS. The Bank does not present balances based on the items function or nature as required by MFRS.

Certain balances from prior periods have been reclassified and presented in accordance with the current period presentation required by the CNBV.

In accordance with the Mexican Banking GAAP, when no specific accounting practice has been issued by the Commission, the following must be applied on a suppletory basis in the order shown: a) MFRS; b) International Accounting Standards approved and issued by the International Accounting Standards Board; c) United States Generally Accepted Accounting Principles (USGAAP) issued by the Financial Accounting Standards Board, or, if applicable, d) any set of formal and recognized accounting standards. These criteria are subject to the provisions of MFRS A-8 "Application on a suppletory basis".

In accordance with MFRS A-8 "Application on a suppletory basis", the use of a suppletory basis must be disclosed in the notes to the financial statements, along with information such as a brief description of the transaction or event that gave rise to the use of the suppletory standard, identification of the suppletory standard, the entity issuing such standard, the effective date and the date on which said supplementation began, among others.

These financial statements have been translated from the original financial statements published in the Spanish language. The translation into English has been made solely for the convenience of English-speaking readers. Certain notes have been modified in order to facilitate the understanding of accounting policies to investors that are not familiarized with MFRS and Mexican Banking GAAP as well as with terms and acronyms commonly used in Mexico and also to adopt the presentation of certain notes as commonly used in international filings.

Inflation effects in financial information

In accordance with the guidelines of MFRS B-10 "Effects of inflation", the Mexican economy is currently in a non-inflationary environment, for maintaining an accumulated inflation during the last three years of less than 26% (maximum limit for an economy to be considered non-inflationary), and, as a result, starting from January 1, 2008, the Bank discontinued recognizing the effects of inflation in its financial statements in accordance with MFRS. Consequently, figures at December 31, 2011, 2010 and 2009 in the accompanying financial statements are presented at historical Mexican pesos, modified by the effects of inflation on financial information recognized through December 31, 2007.

The percentages of inflation are as show below:

	December 31,		
	2011	2010	2009
	(%)	(%)	(%)
For the year	3.64	4.28	3.72
Accumulated inflation during the last three years	12.11	15.08	14.55

Pronouncements under Mexican Banking GAAP during 2011

The following Accounting Criteria issued by the Commission were effective in 2011 and are to be applied retrospectively and prospectively depending on the requirements of the standards:

D-2 "Statement of income": modifies the structure of the statement of income to present: a) the statement of operations net of other income and disbursements pertaining to the operation, other than interest income or expenses included in the financial margin and administration and promotion expenses, and b) the result before tax on profits after incorporating the result from equity in non-consolidating subsidiaries and associated companies to the operating result. The 2010 and 2009 statement of income has been reclassified to be in line with the current presentation required by the Commission.

D-4 "Statement of cash flows": the statement of cash flows incorporates the "effects of exchange rate changes in cash and due from banks" caption, which represents the effect of conversion of cash flows at the closing exchange rate, as well as the balances shown for cash and cash equivalents arising from changes in value due to fluctuations in their fair value. This change did not have any significant impact in the presentation of the statement of cash flow by the Bank.

B-6 “Loan portfolio”: a) establishes the new methodology for rating the non-revolving consumer and mortgage for housing loan portfolio from March 31, 2011, based on the expected loss model through the calculation of the likelihood of default, the severity of the loss and exposure to default, in the sense of allowing for early identification of losses through the incorporation of further credit information. The reserve is now based on methodologies that reflect the expected loss eliminating the former incurred-loss model, and b) requires a new methodology for rating the commercial portfolio granted to states and municipalities based on a resolution of the Commission that went through on October 6, 2011. This resolution modifies the current model for reserves based on public ratings, in order to establish a methodology which rates and reserves the portfolio according to expected losses for the following 12 months taking into consideration the probability of non-fulfillment, severity of the loss and exposure to each client's non-fulfillment. The resolution is applicable optionally either during the third or fourth quarter of 2011. The Bank opted to apply this methodology with figures of September 30th, 2011. As a result, the Bank released certain reserves which had been calculated under the previous methodology. This reversal of certain reserves was reflected in the 2011 results in accordance with such methodology. See Note 9.

Criterion C-3 “Related parties”: broadens the definition of close relatives as related parties of the Bank. The Bank did not have any impact associated with this change.

New pronouncements under MFRS during 2011:

Starting in January 1, 2011, the Bank adopted the following MFRS, issued by the CINIF, which did not have a significant impact in the financial statements of the bank.

MFRS C-5 “Advance payments”: establishes the standards for presentation and disclosure of advance payments, requiring, among others, the presentation of current and non-current assets and of the amounts disbursed under this item in a separate caption.

MFRS C-6 “Property, plant and equipment”: establishes the standards for valuation, presentation and disclosure of property, plant and equipment, considering, within the scope of this MFRS, those used to develop or maintain biological assets and assets pertaining to extracting industries, as well as the determination of componentization of property, plant and equipment for depreciation purposes. This MFRS is to take effect on January 1, 2011, superseding Statement C-6 “Property, machinery and equipment”, in effect until December 31, 2010. The main changes relate with assessments of useful lives, residual values and with componentization of property, plant and equipment. See note 12.

MFRS C-18 “Obligations associated with the retirement of property, plant and equipment”: establishes specific standards for initial and subsequent recognition of the provisions related to retirement obligations associated with future disposal of assets.

Improvements to existing MFRS

In December 2010, CINIF also issued several improvements to certain existing MFRS. The most significant changes in respect to existing guidelines beginning on January 1, 2011 are stated below. Such improvements did not have any impacts in the financial statements of the Bank:

MFRS B-1 "Accounting changes and correction of errors”: establishes rules for presentation in the balance sheet and statement of changes in stockholders’ equity the effects of adjustments recognized retrospectively.

- Statement C-3 "Accounts receivable" changes require that interest income should be accrued to the extent the amount could be reasonably quantified and the recoverability is probable. In addition, doubtful accounts should not generate interest income.

- MFRS C-10 "Derivative financial instruments and hedging activities,": the most significant changes include the following clarifications:

i) valuation of derivative financial instruments such as an option or a combination of options: changes in fair value attributable to changes in the intrinsic value of the options may be separated from changes attributable to their extrinsic value; only the change attributable to the option's intrinsic value, and not the extrinsic component, may be designated as effective hedging.

ii) valuation of currency exchange forwards: separation of the change in fair value attributable to differences between interest rates of the currencies to be exchanged from the change in fair value attributable to changes in the spot prices of the currencies involved is permitted; the effect attributable to the component that was excluded from the cash flow hedge may be recognized directly in current earnings.

iii) Hedge accounting is limited when a transaction is carried out with related parties who have different functional currencies.

iv) The standard requires that when a hedged position is a portion of a portfolio of financial assets or liabilities, the effect of the hedged risk relating to variances in the interest rate of the portion of such portfolio be presented as a supplement of the primary position, in a separate line item.

v) It also states that contribution or margin accounts received, associated with transactions for trading or hedging purposes with derivative financial instruments, be presented as a financial liability separately from the financial instruments line item when cash or marketable securities are received; additionally, only their fair value should be disclosed if securities in deposit or qualifying financial warranties are received that will not become the property of the entity.

vi) The standard also states that a proportion of the total amount of the hedging instrument, such as a percentage of its notional amount, may be designated as hedging instrument in a hedging relationship. However, a hedging relationship cannot be designated for only a portion of the term in which the instrument intended to be used as hedge is in effect.

Financial statements authorization:

The accompanying financial statements and notes were authorized for issuance by the Bank's Board of Directors on February 28, 2012.

Note 3 - Summary of significant accounting policies:

Following is a summary of the most significant accounting policies, which have been applied consistently during the years presented, unless otherwise stated:

The Commission is empowered, as the regulator and supervisor of the industry, to review the Bank's financial information and request modifications to such information.

MFRS require the use of certain critical accounting estimates when preparing the financial statements.

Following is a summary of the most significant accounting policies of the Company:

a. Cash and due from banks

Cash and due from banks are recorded at nominal value, except for minted metals, which are valued at fair value at the end of the period. Cash and due from bank in foreign currency as well as purchase and sale commitments, are valued at the exchange rate published by the Central Bank at the end of the year (see Note 5). The yields generated by cash and cash equivalents are recognized as income when they arise.

Restricted cash and due from banks corresponds to the Deposit under Monetary Regulations with the Central Bank, which earns interest at the interbank funding rate. This caption also includes the amount corresponding to short-term interbank loans (granted call money), when the term does not exceed three working days.

b. Investments in securities

Investments in securities include investments in government securities, bank securities, and fixed and floating rate investments. Investments in securities are classified as either trading securities, available for sale or securities held to maturity, depending on management's intent at the time of purchase. These securities are initially recorded at fair value, which may include either a discount or premium and are subsequently valued as described in the following paragraphs. Interest and dividends are recognized in the statement of income on an accrual basis. See Note 6.

Accrued interest on debt instruments is determined using the effective interest method and is recorded in the corresponding category of investments in securities and in the year's results. Dividends on equity instruments are recorded in the corresponding category of investments in securities and in the year's results when the right to receive such dividends is established.

The Bank's investment portfolio is comprised of securities and financial instruments that are valued at prices provided by experts authorized by the CNBV, which are denominated as "price vendors", and who specialize in calculating and providing prices for valuation of securities portfolios.

i. Trading securities represent debt or equity securities owned by the Bank, recorded at fair value, from which it intends to obtain profits by participating in the market. The fair value is the amount at which a financial instrument can be traded between interested and willing parties, in an arms-length transaction. Based on requirements from the CNBV, fair value should be determined using valuations provided by price vendors. Valuation adjustments are recognized in the statement of income in the period incurred.

ii. Available-for-sale securities are debt or equity securities acquired for a purpose other than obtaining profits from trading them in the market or holding them to maturity. Securities are recorded at fair value, based on valuations provided by price vendors. Valuation adjustments are recognized in stockholders' equity, net of taxes.

iii. Held-to-maturity securities are those instruments in which management invests with the positive intent and the ability of holding them, until maturity and are recorded at amortized cost and adjusted for amortization of any premiums or discounts. If sufficient evidence exists that a security represents a high credit risk and/or its estimated value decreases, the book value could be modified based on the net realizable value determined by using formal valuation techniques, with a charge to results recorded in the year of the write-down.

In accordance with criterion B-2 "Investments in securities" issued by the CNBV on October 28, 2009, any sale of securities recorded as held to maturity should be reported to the CNBV. Likewise, reclassifications from the categories "trading securities" and "available for sale securities" to the category "securities held to maturity" or from "trading securities" to "available for sale" are permitted only with the express permission of the Commission. In addition, reclassification from the category "securities held to maturity" to "available-for-sale securities" is permitted only when there is no longer the intention or ability to hold those securities to maturity.

Until October 28, 2009, only held-to-maturity securities could be reclassified or re-designated as available-for-sale securities, if there was no longer an intention to hold the securities until maturity. When a transfer from held-to-maturity to available-for-sale was made the difference between the book value and fair value was recorded in the stockholders' equity.

The Bank is unable to capitalize or distribute profits arising from valuation of its investments in securities until they are sold.

An investment is impaired and impaired losses are incurred only if there is objective evidence of impairment as the result of one or more events that occurred after initial recognition of the asset. In assessing the objective evidence of impairment, an entity considers factors such as financial difficulties of issuers or breach of contracts (i.e., default or delinquency in interest or principal). Impairment losses are measured as the difference between the fair value and the book value of the investment. A previously recorded impairment loss of securities classified as held to maturity or available for sale is reversed against the current year's results if, in a later period, the amount of the loss decreases and such decrease is objectively associated with an event occurring after the impairment was recorded.

At December 31, 2011 and 2010, the Bank assessed whether or not there was objective evidence that a security was impaired, taking into account the following aspects, among others: significant financial difficulties on the part of the issuer of the security; likelihood that the issuer will declare bankruptcy or another financial reorganization; noncompliance with contractual clauses, the disappearance of an active market for the security due to financial difficulties, or the existence of a measurable decrease in future estimated cash flows.

At December 31, 2011 and 2010, the Bank observed no objective evidence of impairment of the securities.

During 2011 and 2010, the Bank did not have any transfers of securities from held to maturity or available for sale to trading securities.

MFRS allow for the transfer between categories only when the original intention of the classification of financial assets is affected by changes in the entity's financial conditions.

c. Repurchase and resale agreements

Repurchase and resale agreements represent a secured financing, through the delivery of cash as financing in return for obtaining financial assets that serve as a guarantee in the event of default. See Note 7.

The Bank in recognizing these transactions accounts for the receipt of cash or a debtor settlement account, as well as an account payable denominated "Creditors under agreements to repurchase" for the agreed price, which represents the obligation to repay that money, and reclassifies the financial asset as restricted collateral. The account payable is subsequently valued at its amortized cost, recognizing interest in the results for the year as it accrues, according to the effective interest method. The accrual of interest arising from the repo operation is presented under the heading of "Interest expense".

When the Bank is acting as the provider of finance, it recognizes the payment of cash or a creditor settlement account and also registers an account receivable denominated "Debtors under agreements to repurchase" in respect of the agreed price, which represents the right to recover the cash provided and recognizes the collateral received in a memorandum account. The account receivable is subsequently valued at its amortized cost, recognizing interest in the results for the year as it accrues, according to the effective interest method. The accrual of interest arising from the repo operation is presented under the heading of "Interest income".

At December 31, 2011 and 2010 the balances in the "Debtors under agreement to repurchase" account and in the "Creditors under agreements to repurchase" were offset resulting in a net liability position which is presented in the account "Creditors under agreements to repurchase".

The financial assets granted by the Bank are presented as restricted in the balance sheet.
In addition, when selling the collateral or using it as a guarantee, the Bank recognizes it in an account payable as "collateral sold or given in guarantee", the obligation to reimburse the collateral to the lender of the securities at the agreed-upon price, and subsequently values it at fair value, or at its amortized cost if given in guarantee, in another repurchase operation. Additionally, such collateral is recorded in memorandum accounts.

The differential, if any, that is generated by the sale of or using the security as collateral will be presented under the caption of "Net gain or loss in Brokerage operations".

d. Derivative financial instruments

All Derivative Financial Instruments are recognized in the balance sheet as either assets or liabilities, depending on the rights and/or obligations specified in the confirmations of terms agreed upon by the parties involved. These instruments are initially recorded at fair value, which corresponds to the price agreed upon by the parties and are valued and classified according to their intended use established by Bank Management. See Note 8. Transaction costs directly attributable to the acquisition of the derivative are recognized directly in the statement of income in the "Net gain or loss in brokerage operations" line item.

Subsequently, all derivatives are measured at fair value, without deducting the transaction costs incurred in the sale or other type of disposal, recognizing the valuation effect to income for the period, except for derivatives designated as cash flow hedges since the effective portion of the fair value change is recorded directly in equity in the "Result from valuation of cash flow hedges" caption and subsequently reversed into earnings as the hedged item impacts earnings. When a hedge derivative no longer meets the requirements established for hedge accounting, the Bank discontinues hedge accounting prospectively. For derivatives qualifying and designated as fair value hedges, changes in the fair value of these derivatives are recorded in current earnings as well as changes in the fair value of the hedged items.

Additionally, the result from the purchase/sale of a derivative, and from impairment of financial assets stemming from the rights established in derivatives, as well as the effect of reversal are also recognized in the "Net gain or loss in brokerage operations" line item.

Trading derivatives consist of the position assumed by the Bank as a market participant without the intention of covering its own positions at risk.

In addition, embedded derivatives are separated from the host contract and carried at fair value if the economic characteristics of the derivative are not clearly and closely related to the economic characteristics of the host contract. In order to designate hedging operations with structured instruments, the Bank is required to have a prior authorization from the CNBV.

The fair value of derivative financial instruments is determined based on formal valuation techniques used by the price vendor.

Derivatives qualify as an accounting hedge if certain conditions are met. These conditions refer to documentation requirements and hedge effectiveness testing, as follows: i) If the item to be hedged is a financial asset or financial liability, it is considered as a hedged item with respect to the risks associated to only a portion of its fair value of or the cash flows, provided the effectiveness of the hedge is measured reliably, and ii) in interest rate risk fair value hedges involving a portfolio comprised of financial assets or financial liabilities (and only in this type of specific hedging), the designation is expressed as an 'amount of currency' (e.g. dollars, euro, pounds) rather than as individual assets (or liabilities). Although the portfolio can, for risk management purposes, include both financial assets and financial liabilities, the amount designated as a hedged item must be a financial asset or financial liability amount. The designation of a net amount that includes financial assets and financial liabilities is not allowed.

The Bank may hedge a portion of the interest rate risk associated with this designated amount
The designation of a non-financial instrument as hedged item might be as follows: i) against foreign currency risks, or ii) against the risks to which said item is exposed in its entirety, due to the difficulty of isolating and reliably valuing the portion of the changes in the fair value or cash flows attributable to specific risks other than the foreign currency risk.

Margin accounts represent individualized accounts in which the Bank deposits financial assets intended to ensure compliance with obligations corresponding to derivatives entered into with the intention of mitigating the risk of default. The amount of the deposits corresponds to the initial margin and to subsequent contributions or withdrawals made during the life of the agreement to the bank clearing house, as a result of fluctuations in the prices of derivatives, and are recorded in a specific line item in the balance and sheet and yields generated are applied to income as they arise.

MFRS require that margin accounts be presented in the same caption as derivatives.

The following is a summary of the accounting treatment of the different types of derivative instruments:

i. Futures and forwards

Futures and forwards agreements establish an obligation to purchase or sell underlying goods at a future date, in the amount, quality and at the price set forth in the agreement. In these transactions, the buyer assumes a long position with respect to the underlying asset and the seller assumes a short position with respect to the same agreement.

Forwards

Forwards are essentially negotiable as in conditions such as the price, term, amount, quality, collateral, place of delivery and form of settlement. This type of contract has no secondary market and exposes the Bank to a credit risk.

Futures

Futures agreements have standardized terms, amounts, quality, place of delivery and form of settlement, the price is negotiable, they have a secondary market. The counterparty is always a bank clearing house and therefore the participants face no significant credit risk. The establishments of margin accounts are mandatory.

The buyer of a these contracts recognize both an asset and liability position. At the time of the initial recording, the asset position reflects the notional amount of the contract, which will subsequently be valued according to the fair value of the rights under said contract. However, the liability position remains recorded at the notional value of the contract, thus not suffering variances in value.

With respect to the seller, the asset position remains recorded at the notional value, and does not suffer variances in value. In subsequent periods, the liability position is valued according to the fair value of the obligations under the contract.

Whether the Bank acts as buyer or seller of the contract, both asset and liability positions are recognized initially at their notional value. Subsequently, given that the clearing-house settlements are conducted on a daily basis through a receiver partner, the value of the asset position will always be the same as that of the liability position, as a result, both must be restated daily to reflect the fair value of the rights and obligations at any valuation date. Therefore, the recognition of fluctuations in the price of the contracts is recorded directly in margin accounts.

ii. Options

Options are agreements that establish the right, and not the obligation, for the acquirer to purchase or sell a financial or underlying asset at a determined price called an exercise price, on an established date or at a determined period. Option agreements involved two parties, the buyer of the option pays a premium on the acquisition thereof, and in turn, obtains a right, and not an obligation, and the party issuing or selling the option receives a premium and in turn acquires an obligation, yet not a right.

The buyer of the option records the premium paid in the operation. The premium is subsequently valued according to the fair value of the option. The issuer of the option records the cash inflow against the premium collected on the operation, as a liability. The premium is subsequently valued according to the fair value of the option.

iii. Swaps

Swaps are agreements between two parties, establishing a bilateral obligation to exchange a series of cash flows for a determined period of time and on established dates.

Interest rate swaps are agreements establishing a bilateral obligation to exchange, over a determined period of time, a series of cash flows calculated on a notional amount, denominated in a single currency, but referenced to different interest rates. There are no partial or total cash flow exchanges at the start or end of the agreements on the notional amount and on a general basis, in this type of agreement, one of the parties receives a fixed interest rate (variable rate in some cases) and the other party receives a variable rate.

Currency swaps are agreements establishing a bilateral obligation to exchange, over a determined period of time, a series of cash flows on a notional amount denominated in different currencies for each of the parties, which in turn are referenced to different interest rates. In some cases, aside from exchanging interest rate cash flows in different currencies, the exchange of cash flows can be negotiated on the notional amount over the life of the agreement.

An asset or liability position is recognized for the rights and obligations set forth in the agreement, respectively, which are initially recorded at their notional amount. Subsequently, the asset and liability position, as applicable, is valued according to the fair value of the cash flows to be received or delivered.

Cash flows to be received or delivered in foreign currency are valued at the exchange rates published by Central Bank.

iv. Credit derivatives

These are agreements that involve conducting operations with derivative financial instruments, to assume or reduce credit risk exposure in assets such as loans or securities. Transfer of the risk in this type of operation can be total or partial.

In this type of operation, one of the parties receives the right or assumes the obligation to receive or deliver, as applicable, the interest or any other type of yield inherent to the underlying asset, and in some operations, one of the parties may be required to pay the other the amounts not covered as a result of noncompliance by the issuer of the underlying asset, even if the receiving party is not the direct beneficiary of the collection rights over the underlying asset. In exchange, the other party obtains the right or obligation to receive or pay previously established interest or either fixed or variable yields.

Credit derivatives involving the exchange of cash flows are valued according to the fair value of the rights to receive and the cash flows to be delivered incorporated in each instrument. Credit derivatives whose primary agreement adopts the form of an option are valued according to the fair value of the premium or premiums embedded in the agreement.

e. Loan portfolio

Loans and commercial loans, both current and renewed, represent the amount actually delivered to borrowers, plus interest as it arises, as per the loan payment schedule. Interest collected in advance is recognized as advanced collections and are amortized over the life of the loan using the straight-line method against income for the period.

Loans are made after analyzing the financial position of the borrower, the economic feasibility of investment projects and other general factors established in the Law, as well as the provisions of the Bank's internal manuals and policies. See Note 9.

Acquisitions of loan portfolio are recorded at the contractual amount of the acquired loans. Differences between the contractual amounts and the price paid, is recorded as a deferred charge or credit. Allowance for loan losses is determined in accordance with CNBV requirements.

The outstanding balance of the loans is recorded as non-performing portfolio when there is knowledge that the borrower has filed for bankruptcy, as per the provisions of the bankruptcy Law, or the loan installments have not been paid on the terms originally agreed upon. The unpaid loan balance is recorded in the non-performing portfolio as follows:

1. In the case of loans involving a single payment of principal and interest upon maturity, 30 calendar days after maturity.

2. In the case of loans involving a single principal payment upon maturity, but with periodic interest payments, 30 or 90 calendar days after maturity of principal or interest, respectively.

3. In the case of loans involving the payment of principal and interest based on partial periodic payments, 90 calendar days after the first payment is due.

4. In the case of revolving loans, whenever payment is outstanding for two billing periods or 60 or more days have elapsed following maturity.

5. Overdrafts from checking accounts without lines of credits are considered part of the non-performing portfolio when the overdraft arises.

Restructured non-performing loans continue to be considered in the non-performing loans category, as long as there is no evidence of sustained payment, as per the provisions of the Accounting Criteria. In addition, restructured loans, whose principal and interest are payable in a lump sum at maturity are considered as non-performing loans.

Renewed loans where the borrower failed to settle, in the allotted time, the overall interest earned as per the terms and conditions originally agreed upon and 25% of the original loan amount are considered as non-performing if there is no evidence of sustained payment, as required by the Accounting Criteria.

Once a loan is considered non-performing, accrual of interest thereon is suspended and it is recorded in memorandum accounts.

For uncollected interest earned corresponding to these types of loans, an allowance for loan losses is recognized for an amount equivalent to the total uncollected amount at the time of its transfer to the non-performing portfolio. This reserve is cancelled when there is evidence of sustained payment. Past-due interest is recorded as income for the period in which it is collected.

Loans are transferred from non-performing to performing loans when overdue balances are collected (principal and interest, among others) or, in the case of restructured or renewed loans, when there is evidence of sustained payment on the loan, as per the Accounting Criteria.

Origination fees are recorded as a deferred credit, which is amortized against income for the period using the straight-line method for the duration of the loan, except those giving rise to revolving loans, which are amortized for a twelve-month period. Commissions known after the loan is granted are recognized as they are generated.

Costs and expenses related to the initial granting of the loan are recognized as a deferred charge, and are recognized in the statement of income as an interest expense, during the same accounting period as in which the corresponding income from collected commissions are recognized.

All other types of commission are recognized when they arise in the caption "commissions and fees received".

The lines of credit granted by the Bank, in which only part of the authorized amount has been drawn down, the unused part is recorded in memorandum accounts.

MFRS require recognition of interest earned and, when necessary and the creation of an allowance for doubtful accounts based on a recoverability study.

f. Allowance for loan losses

Prior to 2011, the commercial loan portfolio was rated according to the general methodology in which the levels of risk established for each type of loan were applied to individual monthly debtor balances, including the portfolio pertaining to the Federal Government, or according to the guarantee thereof and other types of loans, the balance of which is at least equivalent to 4,000,000 investment units (UDI by its initials in Spanish) at the date of the rating. Loans with a balance lower than 4,000,000 UDI at the date of such rating are rated assigning default probabilities on a parametric basis, taking into account the number of defaults observed from the date of the first default event until the date of the rating. This methodology was used for loan granted to states and municipalities until August 2011. Starting September 2011 a new methodology is used, which is explained below.

From 2011, commercial loans granted to states and municipalities, as well as their decentralized agencies, with balances of at least the equivalent to 4,000,000 UDI at the rating date, are rated applying the general methodology corresponding to the type of loan, based on an expected loan loss model, under which the losses for the following 12 months are estimated with the credit information that best anticipates them, taking into account the likelihood of default, the severity of the loss and exposure to default, classifying this portfolio in different groups and foreseeing different variables for estimating the likelihood of default. Until August 31, 2011, these types of loans were rated with the general methodology mentioned in the paragraph above.

The initial effect of adoption of the new rating methodology mentioned in the paragraph above generated a decrease in the allowance for loan losses of Ps46 if compared to the allowance determined with the previous methodology in the previous month. Financial institutions had the option to apply the new methodology either in the third or fourth quarter of 2011. The Bank opted to recognize the initial effect using the figures as of September 30, 2011, recognizing the effect in the statement of income during 2011 based on the provisions established by the Commission. MFRS require prospective application in the event of changes in accounting provisions.

From September 2009, the consumer loan portfolio referred to credit card operations is classified considering the likelihood of default, the severity of the loss and the exposure to default, measured on the basis of the total debt, including all borrower obligations at the month-end close.

In 2009 the initial effect of adopting the new rating methodology mentioned in the paragraph above represents an increase in the provision for loan loss of Ps.1; however, the Bank opted to recognize this effect on the statement of income over a 24-month period starting in September 2009. As a result, at

December 31, 2009, the increase in the provision for loan losses generated by the new methodology was Ps. 0.12, which was applied to the income of the period, since MFRS require prospective application in the event of changes in accounting provisions.

In addition to the abovementioned reserves, the Bank maintains additional provisions for loan losses required under a number of different regulations, as well as ordered and recognized by the Commission. To date, the additional reserves determined by the Bank total Ps. 8 (Ps. 2.02 in 2010).

Additional reserves required by the Commission are to cover risks that were not considered in the reserves determined with the different methodologies for rating loan portfolios. The Commission informs the origin, methodology for determination, amount, etc.

Starting from March 30, 2011, the methodology to determine the provision for loan losses on the mortgage and non-revolving consumer loan portfolio also changed, and, consequently, the Bank adopted the new methodology to rate, set up and account for the provision for loan losses with the figures shown at the last day of the month, taking into account the likelihood of default, the severity of the loss and exposure to default, as well as the guarantees provided by the borrower, which comprised of money in cash or means of payment with immediate liquidity.

The initial effect of adopting the new rating methodology mentioned above generated a decrease in the provision for loan losses of Ps7, which was recognized in the statement of income during 2011, as per the provisions established by the Commission. MFRS require prospective application in the event of changes in accounting provisions.

Prior to the aforementioned change in methodology, the provision for loan losses for the portfolio of mortgage loans and of loans for the acquisition of long-lasting consumer goods, was determined by applying default probabilities and the severity of the loss, taking into account the loan guarantees based on the number of defaults observed from the date of the first default event until the date of the rating.

The Bank evaluates whether or not an overdue loan should remain in the balance sheet, or whether it should be written off. When write offs apply, they are recognized by canceling the unpaid balance of the loan against the preventive loan loss reserve. In the event the loan balance to be written off exceeds that corresponding to the related reserve, prior to the write off, the reserve is increased to the amount of the difference.

In addition, the Bank has opted to eliminate from its assets any overdue loan reserved at 100%, even when write-off conditions are not met.

Recoveries related to loans previously charged off or loans eliminated from the balance sheet are applied to income for the period when collected.

Debt reductions, pardons, rebates or discounts, whether partial or total, are recorded with a charge to the loan loss reserve. If the related amount exceeds the balance of the loan loss reserve, reserves are previously set up for up to the amount of the difference.

The last rating of the loan portfolio was conducted at December 31, 2011 and Management considers that the reserves resulting from said rating are sufficient to absorb the portfolio's loan loss risks. See Note 9.

MFRS require setting up an allowance for doubtful accounts, based on the recoverability study.

g. Other accounts receivable

Accounts receivable other than the Bank's loan portfolio represent, among other items, loans made to officers and employees, taxes receivable, transaction liquidation accounts and items directly related to the loan portfolio, such as litigation expenses.

For loans granted to officers and employees and other accounts receivable related to debts with maturity of more than 90 calendar days, a reserve is recognized reflecting the potential uncollectability. This reserve is not recognized for favorable tax balances or settlement accounts.

The allowances for doubtful accounts referred to in the paragraph above are determined through a study that serves as the basis for the determination of future events that could affect the amount of accounts receivable, showing the related estimated recoverable value.

With respect to items different from those previously mentioned, whose maturity is agreed at a term greater than 90 calendar days for identified debtors and 60 days for unidentified debtors, an allowance is recognized for uncollectability or doubtful accounts for the total amount of the debt. MFRS require, when applicable, recognizing an allowance for doubtful account, after conducting an analysis and evaluation of the real possibilities of recovering the balance of accounts receivable.

Management considers that the allowance for doubtful account is sufficient to absorb losses as per the Bank's policies. See Note 10.

h. Foreclosed assets

Court-foreclosed assets are recorded on the date the ruling approving auction of those assets is enforced. Assets received as payment in kind are recorded on the date the deed is signed, or transfer of ownership of the goods is formalized. See Note 11.

The recording value of foreclosed assets or goods received as payment in kind is equal, at the date of the foreclosure, to the lesser of their cost or net realizable value, less costs and expenses considered to be strictly indispensable for the foreclosure. At the date the foreclosed assets are recorded, the value of the asset that have been foreclosed, as well as the reserve recognized for these purposes, is reversed, or, if applicable, the portion corresponding to payments of principal due or past-due that have been covered with partial payments in kind is cancelled. The resulting difference is recognized in the statement of income in the other operating income, net caption.

A reserve is recognized to consider impairment of foreclosed assets based on the percentages presented below. The reserve is recognized in the other operating income (expenditures) caption:

Accounts receivable or goods:

Time elapsed from The date of foreclosure or payment in kind (months)	Percentages of reserves (%)
Up to 6	0
More than 6 and up to 12	10
More than 12 and up to 18	20
More than 18 and up to 24	45
More than 24 and up to 30	60
More than 30	100

Real property:

Time elapsed as from the foreclosure or payment in kind (months)	Percentages of preventive reserves (%)
Up to 12	0
More than 12 and up to 24	10
More than 24 and up to 30	15
More than 30 and up to 36	25
More than 36 and up to 42	30
More than 42 and up to 48	35
More than 48 and up to 54	40
More than 54 and up to 60	50
More than 60	100

The amount of the reserve that recognizes the potential impairment over time of foreclosed assets is determined according to the value of the assets based on the procedures established in the applicable provisions.

Prior to the recognition of a reserve, MFRS require an impairment testing.

At the time of the sale, the difference between the selling price and book value of the foreclosed assets, net of reserves, is recognized in the "Other operating income" line item.

i. Property, furniture and equipment

Property, furniture and equipment, including acquisitions due to capital leasing, are stated as follows: i) acquisitions conducted after January 1, 2008 at their historical cost, and ii) domestic acquisitions made through December 31, 2007 at their restated values, determined by applying December 31, 2007 factors derived from UDI to their acquisition costs.

Property, furniture and equipment are subject to annual impairment testing, only when signs of impairment are identified, consequently, property, furniture and equipment are stated at their modified historical cost, less accumulated depreciation and, if applicable, impairment losses.

The property, furniture and equipment acquisition cost reduced from its residual value is systematically depreciated using the straight line method based on the assets useful lives applied to property, furniture and equipment values including those acquired under financial leasing.

As a result of the adoption of MFRS C-6 starting January 1, 2011, the Bank re-evaluated the useful lives and residual values of the property, furniture and equipment and determined that the impact of adoption was mainly related to the depreciation expense of its leasehold improvements, which decrease by Ps5, as compared with computation of the depreciation expense of the year using the useful lives previous to the adoption of MFRS C-6 . The change was considered prospectively as required by the standard. No change was determined in the useful lives of furniture and equipment.

The Bank leases property, furniture and equipment with certain features, such as that the Bank substantially assumes all the risks and benefits inherent to ownership and are thus classified as financial leases, capitalized at the onset of the lease agreement at the lesser of the leased property value and the present value of minimum payments. The financial costs arising from the financing granted by the lessee for acquisition of these assets are applied to income for the period as they arise.

j. Equity investments

Investments in companies are measured at cost when the Bank does not exercise control or significant influence. Dividends arising from these investments are recognized in the statement of income for the period when they are received, unless they correspond to profits of years prior to the purchase of the investment, in which case, they are decreased from the cost of those equity investments.

k. Advanced payments

From January 1, 2011, advance payments represent disbursements made by the Bank, in which the benefits and risks inherent to the goods to be acquired or to the services to be received have not yet been transferred. Advance payments are recorded at their cost and are presented in the balance sheet in the other assets caption. Once the goods and/or services related to the advance payments have been received, they are recorded as assets or expenses in the statement of income for the period. Until December 31, 2010, advance payments represented disbursements made for services received or goods consumed exclusively for use by the business, and not for selling or use in the operation.

l. Intangible assets

Intangible assets are recognized when they meet the following characteristics: identifiable and provide future economic benefits, and when there is control over those benefits (see Note 13). Intangible assets are classified as:

i. Definite life: defined life intangible assets are those whose expectation to generate future economic benefits is limited by legal or economic conditions and are amortized by the straight-line method based on their estimated useful life, and subject to annual impairment testing.

ii. Indefinite life: indefinite life intangible assets are not amortized and are subject to annual impairment testing.

Intangible assets acquired or developed are stated as follows: i) those acquired or developed on or after January 1, 2008 at their historical cost, and ii) those acquired or developed prior to December 31, 2007 at their restated values, determined by applying factors derived from UDI to their acquisition or development cost until that date. Consequently, intangible assets are stated at their modified historical cost, less the corresponding accumulated amortization and impairment losses, if any.

Licenses and permits represent payments for exploitation of a particular software or registration granted by the owner to the Bank.

The Bank expends resources to develop a project for migration of the technological platform through which it provides its main banking services. Such costs were recorded in the "Intangible assets" line item and are stated at their historical cost, and correspond to costs capitalized under MFRS.

The project considers a number of technological developments and implementations. Intangible assets are amortized using the straight line method from the point in time in which each development is put into production, which is expected to occur as from 2012 in the case of the change of the technologic platform.

m. Deposits

Liabilities arising from deposits, including promissory notes whose yields are payable upon maturity, as well as subordinated debentures issued at nominal value are recorded based on the contractual value of the operations, recognizing interest earned, determined for the days elapsed at the close of each month. The interest is charged to income as it is earned. See Note 14.

In the case of securities placed at a price other than their nominal value, a deferred charge or credit, as applicable, is recognized for the difference between the notional value of the securities and the cash amount received. Such deferred charge or credit is amortized using the straight-line method against income for the period, over the life of the securities.

Securities placed at a discount and not bearing interest are initially recorded based on the cash amount received. The difference between the nominal value of these securities and the cash amount received is recognized in the statement of income using the effective interest method.

Issuance costs are initially recognized as deferred charges and amortized against income for the period, using the straight line method over the term of the securities.

n. Interbank and loans from other entities

Interbank loans and loans from other entities refer to deposits, credit lines and other loans from banks and other entities, which are recorded at the contractual value of the obligation. Interest is recorded in income as it is earned. See Note 15.

o. Provisions

Liability provisions represent current obligations for past events whose settlement will probably require the use of economic resources. Those provisions have been recorded on the basis of management's best estimates. See Note 16.

p. Deferred income tax

Deferred income tax is recognized using the comprehensive asset-and-liability method, which consists of calculating deferred taxes for all temporary differences between book and tax values of assets and liabilities expected to materialize in the future, at the rates established in the tax provisions in effect at the date of the financial statements. See Note 20.

The Bank recognized deferred income tax, as its financial and tax projections indicate that the Bank will essentially pay income tax in the future.

q. Deferred employees' statutory profit-sharing (ESPS)

Under MFRS D-3, "Employee benefits" ("MFRS D3"), beginning on January 1, 2008, current and deferred "ESPS" is not considered an element of income tax expense. However, a deferred ESPS is calculated applying the ESPS rate to the total temporary differences resulting from comparing the book values and the taxable values for ESPS purposes of assets and liabilities according to applicable legislation, when payment or recovery is likely.

ESPS both current and deferred is shown in the statement of income under "Administrative and promotional expenses". MFRS require that it be presented in other expenses.

r. Employee benefits

The Bank has no employee-benefit plans, except for those required under the social security laws, as shown below:

i. Direct benefits (salaries, overtime, vacations, holidays and paid leave of absence, among others) are applied to income as they arise and the related liabilities are stated at their nominal value, due to their short-term nature.

ii. Employee benefits upon termination of employment for reasons other than restructuring (termination benefits) are recorded based on actuarial studies conducted by independent experts by the projected unit credit method. See Note 18.

The net cost for the period (NCP) of each benefit plan is recognized as an operating expense in the year in which it becomes payable, which includes, among other items, amortization of the labor cost of past services and prior years' actuarial losses. See Note 18.

Actuarial studies of employee benefits incorporate the expected career salary increase hypothesis.

The Bank has not recognized a provision for termination benefits associated with a restructuring process.

s. Financial instruments with characteristics of liabilities

Financial instruments issued by the Bank are recorded as liabilities.
Gains and losses related to the financial instrument components classified as liabilities are recorded in the financial margin. See Note 17.

t. Stockholders' equity

Capital stock, the capital reserves, retained earnings, result of valuation of available for sale securities and valuation of cash-flow hedge instruments are stated as follows: i) all changes in these accounts from January 1, 2008 at their historical cost, and ii) changes recognized prior to January 1, 2008 at their restated values, determined by applying factors derived from UDI to their original historical values until December 31, 2007 (see Note 19). Consequently, the stockholders' equity is stated at its modified historical cost.

u. Comprehensive income

Comprehensive income is comprised of net income, plus the effects of valuation of available for sale securities and cash-flow hedges instruments, as well as items required by specific provisions to be reflected in stockholders' equity, but which do not constitute capital contributions, reductions or distributions.

v. Revenue recognition

Yields generated from cash and due from banks and investments in securities are recognized in the statement of income when earned, in the latter case, by the imputed interest method or the straight-line method, as applicable.

In repurchase operations, interest generated is recognized in the statement of income as earned using the effective interest method.

Loan-portfolio interest is recognized as it is earned, except interest on non-performing portfolio that is recognized when actually collected. Origination fees are deferred and recognized using the straight-line method over the term of the loan.

Revenue associated with trust management is recognized as it is earned and the accrual of such revenue is suspended if customers have not made payments for 90 or more days.

w. Earnings per share

Earnings per basic ordinary share are the result of dividing net income for the year by the weighted average of shares outstanding during 2011, 2010 and 2009.

There are no effects arising from potentially dilutive shares. Earnings per basic ordinary share for 2011, 2010 and 2009 are stated in pesos.

x. Related parties

During the normal course of operations, the Bank conducted transactions with related parties. Such transactions include loans, deposits, or other cash and cash equivalent granted on a revocable or irrevocable basis and documented through credit instruments or from agreements, restructuring, renewal or modification, including net positions payable to the Bank from derivative operations and investments in securities other than shares. See Note 26.

Related parties might be, among others, individuals or entities that hold, either directly or indirectly, control of 2% or more of the securities representative of the capital of the Bank or its controlling entity, or of any companies of the financial group. The members of the board of directors of the Bank, of its controlling entity or of the financial entities and companies comprising the financial group are also considered to be related parties.

Entities, as well as advisors and officers in which the Bank or the financial group's controlling entity hold directly or indirectly control over 10% or more of their capital, are also considered to be related parties.

The total amount of transactions with related parties does not exceed 50% of the basic portion of the Bank's net capital, as stated in article 50 of the Law.

y. Foreign currency transactions

Foreign currency transactions are recognized applying the exchange rate prevailing at the transaction date. At period end, monetary assets and liabilities denominated in foreign currency are measured at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations related to these assets or liabilities are recognized in the statement of income as part of the brokerage operations.

z. Fees paid to the Bank Savings Protection Fund ("IPAB", for its initials in Spanish).

The Bank Savings Protection Law requires commercial banks to make contributions in fees to the IPAB, to establish a system to protect bank deposits of individuals who carry out guaranteed transactions under the terms and according to the restrictions provided in the Law, and to regulate the financial support granted to commercial banks to protect the interests of bank depositors. See Note 21.

Mandatory contributions to the IPAB must be made on a timely basis. Fees paid to the IPAB by the Bank totaled Ps.90, Ps.84 and Ps.57 in 2011, 2010 and 2009, respectively, which were charged directly to the statement of income.

aa. Trust activities

The Bank accounts for the equity of the trusts under its administration in memorandum accounts. Memorandum accounts would be recognized based on the responsibility implied in the compliance with the purpose of the trusts. Based on this, in some cases, the responsibility is limited to recording trust assets, whereas in other cases, it includes recording the assets and liabilities generated during the operation of the trusts. See Note 25.

The capital of the trusts recognized in memorandum accounts is valued in accordance with the Accounting Criteria, except when the Technical Committee of a trust establishes a specific valuation rules. The balance of the group of control accounts of each of the bank's trust matches that recorded in memorandum accounts for each.

Losses from the responsibilities incurred as trustee are recognized in the statement of income in the period in which they become known, irrespective of the moment in which any legal action is taken in this regard.

At December 31, 2011, 2010 and 2009, revenue from managing trusts totaled Ps.41, Ps.37 and Ps.57, respectively.

bb. Assets in custody and administration operations

Assets in custody or under administration represent transactions carried out by the Bank on behalf of third parties, such as the purchase and sale of securities and derivative financial instruments, repurchase and resale agreements, lending of securities, and agreements under which the Bank assumes responsibility for safeguarding such assets. See Note 25.

Securities held by third parties can be sold, administered or transferred according to the conditions set forth in the agreement. Due to the nature of this type of operation, there is no transfer of ownership of goods under custody or administration; however, the custodian is liable for the goods and thus assumes the risk in the event of loss or damage.

Since the assets are not owned by the Bank, they do not form part of the balance sheet. However, the estimated amount for which the Bank would be liable in the event of a future contingency is recorded in memorandum accounts, with the exception of cash received for payment of services on behalf of third parties.

Valuation of the estimated amount of assets under custody or under administration, as well as of investment banking operations conducted on behalf of third parties, is determined on the basis of the operation conducted in accordance with Mexican Banking GAAP as follows:

i. Receipt of payments on services on behalf of third parties

The cash inflow for payment of services in restricted cash and due from banks is recognized against the corresponding liability. When payment of the service is made on behalf of third parties, the liability is cancelled against the previously restricted cash and due from banks. With respect to payment of services on behalf of the account holder, and when the service provider holds an account with the entity to receive such payments, the corresponding payment is reclassified in the balance sheet as “Deposits”.

ii Investments in securities, repurchase operations and securities lending

In operations involving investments in securities conducted by the Bank on behalf of third parties, the securities received are recognized and valued at fair value, as per the “Investments in securities” accounting policy included in Note 3b. above.

In repurchase operations conducted by the Bank on behalf of third parties, the collateral associated to those operations, as well as the premium accrued, is recognized and valued in accordance with the “Repurchase agreement and resale agreements” accounting policy included in Note 3.c. above.

iii. Derivatives

The derivatives operations conducted by the Bank on behalf of third parties are recognized and valued at fair value in accordance with the “Derivatives and financial instruments” accounting policy included in note 3.d. above.

In the event the Bank is liable for damages or loss of the assets under custody or under administration, the corresponding liability is recognized in the statement of income. This is recognized when it becomes known, irrespective of any legal action taken with respect to the loss or damage.

Revenue from custody or administration services is recognized as it is earned.

In the event the goods under custody are also held under administration, they are controlled separately.

cc. Information per segment

Accounting Criteria establish that in order to identify the different operating segments that comprise multiple banking institutions, the institutions must segregate their activities according to the following segments: i) loan operations; ii) treasury and investment banking operations; and, iii) operations conducted on behalf of third parties. The bank has two main segments: i)loan operations and ii) treasury and investment banking operations. The other operations, which are not significant, are presented as others. Additional operating segments and sub-segments might be identified when significant. MFRS do not require such predetermined disaggregation. See Note 23.

Mexican Banking GAAP does not require disclosure by geographic area where the subsidiaries conduct business or from which the segment identified derives income or maintains productive assets, as it is required under MFRS.

Note 4 - Foreign currency position:

The amounts shown in this note are stated in millions of US dollars (USD), as the dollar is the foreign currency more widely used by the Bank (approximately 98% of total foreign currency transactions).

a. The Bank complies with the following standards and limits for the purposes of operations in foreign currency established by Banxico.

1. The position, either long or short, in dollars must be equivalent to a maximum of 15% of the Bank's basic capital.

2. The foreign currency position must not exceed 2% of net capital, except for the USD or currencies referred to the USD, which can reach up to 15%.

3. Liabilities in foreign currency must not exceed 183% of the Bank's basic capital.

4. The investment regulations for operations in foreign currency require maintaining a minimum level of liquid assets, which result from a calculation mechanism established by Banxico, based on the maturity of operations in foreign currency.

b. At December 31, 2011 and 2010, the Bank had the following monetary assets and liabilities in foreign currency expressed in millions of USD:

	December 31,	
	2011	2010
Assets	USD 466	USD 311
Liabilities	(465)	(311)
Short position - Net	USD 1	USD -

At December 31, 2011 and 2010, the USD exchange rate determined by Banxico and used by the Bank in valuing its assets and liabilities in foreign currency was Ps.13.9476 (Ps.12.3496 in 2010). As of February 29, 2012, date of issuance of the audited financial statements, the rate of exchange was Ps.12.8575.

Note 5 - Cash and due from banks:

Cash and due from banks is composed as follows at December 31,:

	Mexican pesos		Foreign currency		Total	
	2011	2010	2011	2010	2011	2010
Cash on hand	Ps. 66	Ps. 49	Ps. -	Ps. -	Ps. 66	Ps. 49
Foreign bills and coins	-	-	10	5	10	5
Domestic and foreign banks	-	2	690	829	690	831
Deposits in Banxico	-	-	-	1	1	1
Restricted cash and cash equivalents	1,228	1,151	667	919	1,895	2,070
Gold and silver in stock	1	1	-	-	1	1
	Ps.1,295	Ps.1,203	Ps.1,368	Ps.1,754	Ps.2,663	Ps.2,957

At December 31, 2011, the Bank has restricted cash and due from banks of Ps.1,895 (Ps.2,070 in 2010), corresponding to the purchase and sale of foreign currency payable in 24 and 48 hours for Ps.246 (Ps.559 in 2010), deposits required by the monetary regulation of Banxico in the amount of Ps.945 (Ps.913 in 2010) and interbank loans (call money) of Ps.562 (Ps.485 in 2010). At December 31, 2011, the Bank had other cash and due from bank, both restricted and given in guarantee for Ps.142 (Ps.113 in 2010).

At December 31, 2011 and 2010, interbank loans (call money) negotiated with several institutions had an average rate of 4.29% (4.44% in 2010). The average term at year-end of 2011 and 2010 was three days. During 2009, no interbank loan (call money) operations took place.

The exchange rates per type of currency are as follows:

Foreign currency	2011	2010
Canadian dollar	Ps. 13.6808	Ps. 12.4279
Swiss franc	14.8743	13.2677
Euro	18.1040	16.5633
US dollar	13.9476	12.3496

Foreign currencies and minted metals to be delivered and received in connection with purchases and sales payable in 24 and 48 hours, restated to pesos, are comprised of the following:

	Currencies to be delivered		Currencies to be received	
Currency	2011	2010	2011	2010
US dollars	Ps.502	Ps.491	Ps.745	Ps.559
Euro	12	-	15	-
Pound	-	-	-	-
	Ps.514	Ps.491	Ps.760	Ps.559

Note 6 - Investments in securities:

These investments are subject to different types of risk, which are related to the market in which they operate, term-related interest rates, exchange rates and risks inherent to credit and market liquidity.

Risk management policies, as well as the analysis of the risks the Bank is exposed to are described in Note 29.

Investments in securities in each category are as follows:

	December 31,				
	2011				2010
Trading securities	Acquisition cost	Interest earned	Valuation increase (decrease)	Market value	Market value
Debt instruments					
Unrestricted:					
Government securities:					
Bonds	Ps. 99	Ps. -	Ps. -	Ps. 99	Ps. 99
Cetes	931	11	-	942	609
Traded note	8	-	(2)	6	8,124
Restricted:					
Government securities:					
Cetes	-	-	-	-	-
Cetes (repo operation)	68	-	-	68	709
IPAB (repo operation)	1,894	2	6	1,902	1,468
Bondes (repo operation)	2,423	-	(2)	2,421	941
Other (repo operation)	703	-	-	703	89
Bonds (repo operation)	50	-	-	50	-
Bank debt securities:					
Promissory note	17	-	-	17	-
Cedes (repo operation)	104	-	-	104	1,029
Other debt securities (repo operation)	1,037	-	(1)	1,036	-
Cebur (repo operation)	579	1	1	581	584
Total trading securities	Ps. 7,913	Ps. 14	Ps. 2	Ps. 7,929	Ps. 13,652

	2011				2010
Available for sale securities	Acquisition cost	Interest earned	Valuation increase (decrease)	Market value	Market value
Promissory note with yield payable upon maturity (PRLV)					
Debt securities	Ps. 5	Ps. 1	Ps. 6	Ps. 11	Ps. 11
Cetes	27	1	6	35	26
Total securities available for sale	Ps. 32	Ps. 2	Ps. 12	Ps. 46	Ps. 37

	December 31,				
	2011				2010
	Acquisition cost	Interest earned	Valuation increase (decrease)	Amortized cost	Amortized Cost
Securities held to maturity					
Fixed rate securities:					
Unrestricted:					
Bonds	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 149
PRLV	1,032	5	-	1,037	299
Trust certificate	8,631	-	-	8,631	3
Restricted:					
Government securities:					
IPAB (repo operation)	2,215	2	-	2,217	2,866
Bank securities:					
Other debt securities (repo operation)	50	-	-	50	-
Bank bonds	-	-	-		50
Cebur (repo operation)	401	-	-	401	414
Total securities held to maturity	Ps.12,329	Ps. 7	Ps. -	Ps.12,336	Ps. 3,781
Total investments in securities	Ps.20,274	Ps. 23	Ps. 14	Ps.20,311	Ps. 17,470

The purpose of securities classified as trading is to obtain short-term earnings as a market participant.

Investments in securities are subject to different types of risk, the most significant of which are related to the market in which they operate, term-related interest rates, exchange rates and risks inherent to credit and market liquidity. During 2011 these securities' weighted average maturities was approximately 774 days, for "Trading securities" (1,031 days for 2010), 31 days for available-for-sale securities and 817 days for "Securities held to maturity" (1,107 days for 2010), respectively.

Securities classified as "trading" and "available for sale" are valued using formal valuation techniques consisting of calculating the cash flows expected from securities at their present value throughout the term during which they are effective.

At December 31, 2011, amounts recognized in the statement of income corresponding to interest on trading securities, available-for-sale securities and securities held to maturity totaled Ps.257, Ps.2 and Ps.267, respectively (Ps.349, Ps. 1 and Ps.16 at December 31, 2010, respectively and, Ps.162, Ps. 0 and Ps.15 at December 31, 2009, respectively).

In addition, in 2011, 2010 and 2009, net losses in the valuation of securities of Ps.6, Ps.9, and zero respectively, were recognized, and gains in sales of securities of Ps.47, Ps.26 and Ps.18, respectively, were recognized in the statement of income. Both concepts were recognized in the "Net gain or loss in brokerage operations" line item in the statement of income.

Note 7 - Repurchase and resale agreements:

The repurchase and resale agreements entered into by the Bank are comprised as follows:

The following is the net position presented in the liability account "Creditors under agreements to repurchase" which is the offset of the balance in the "Debtor under agreements to repurchase" and the "Creditors under agreements to repurchase" as mentioned in Note 3c.:

	2011	2010
Type of security	Liabilities for repo operations	Liabilities for repo operations
Government securities		
Cetes	Ps. 68	Ps. 709
Bondes	2,423	942
Bonds	2,267	84
IPAB bonds	1,896	4,333
Other	702	6
Sub-total	7,356	6,074
Bank securities		
Cedes	104	1,028
Bank bonds	-	50
Promissory note	17	-
Other	1,087	-
	1,208	1,078
Other debt securities		
Traded note	981	998
Creditors under agreements to repurchase	Ps. 9,545	Ps. 8,150

The following represent the balance included in memorandum accounts in relation to the collaterals received when the Bank enters into reverse repurchase agreements:

	2011	2010
Type of security	Collateral under repurchase agreement	Collateral under repurchase agreement
Government securities		
IPAB bonds	Ps. -	Ps. 70
Bondes	801	501
Total included in memorandum accounts	Ps.801	Ps.571

At December 31, 2011 and 2010, the detail of net positions per type of security under repurchase agreement and collaterals received is as follows:

Type of instrument	Liabilities for repo operations		Collateral under repurchase agreement	
	2011	2010	2011	2010
Government securities	Ps. 7,356	Ps. 6,074	Ps. 801	Ps. 571
Bank securities	1,208	1,078	-	-
Other debt securities	981	998	-	-
Total	Ps. 9,545	Ps. 8,150	Ps. 801	Ps. 571

Interest expense resulting from repurchase and resale agreements was recognized in the statement of income totaled Ps.517, Ps.476 and Ps.622 in 2011, 2010 and 2009, respectively, and was recorded in the "financial margin" caption in the statement of income.

Interest earned as a result of repurchase and resale agreements recognized in the statement of income totaled Ps.556, Ps.518 and Ps.656 in 2011, 2010 and 2009, respectively, and are also presented in the "financial margin" caption in the statement of income.

The average term of repurchase operations conducted by the Bank is 1.71 days for clients and 1.98 days for intermediaries in 2011, 1.61 days for clients and 1.77 days for intermediaries in 2010 and 1.90 days for clients and 1.53 days for intermediaries in 2009.

Note 8 - Operations with derivative instruments:

For trading

Operations with derivative financial instruments conducted by the Bank for trading purposes consist mainly of: exchange options and dollar forwards.

At December 31, 2011 and 2010, the Bank's position in derivative financial instruments is comprised as follows:

Forwards

Forwards agreements are negotiated between private parties, requiring a cash payment on a future date for the difference between the contracted rate and the current market rate, based on a notional amount. The Bank is exposed to credit risk in these types of agreements.

The position in asset and liability resulting from forward contracts is presented net in the balance sheet. At December 31, 2011 and 2010, the forwards position (open agreements) was as follows:

	2011				
	Gross position		Net position		
	Asset	Liability	Purchase	Sale	Net
Fair value (long position)	Ps. 4,044	Ps. 3,948	Ps. 96	Ps. -	Ps. 96
Fair value (short position)	3,682	3,779	-	(97)	(97)
Total	Ps. 7,726	Ps. 7,727	Ps. 96	(Ps. 97)	(Ps. 1)

	2010				
	Gross position		Net position		
	Asset	Liability	Purchase	Sale	Net
Fair value (long position)	Ps.1,257	Ps. 1,274	(Ps. 17)	Ps. -	(Ps. 17)
Fair value (short position)	989	973	-	16	16
Total	Ps. 2,246	Ps. 2,247	(Ps. 17)	Ps. 16	(Ps. 1)

During 2011, 2010 and 2009, the Bank entered into forward foreign exchange agreements for speculative purposes and client services, generating a profit of Ps.29, Ps.4 and Ps. 3, respectively.

The position of derivative portfolios at December 31, 2011 and 2010:

For trading	Underlying asset	
	2011	2010
Forwards	Peso/USD	Peso/USD
European-type options	Peso/USD	

For hedging

Operations with derivative financial instruments conducted by the Bank for hedging purposes consist mainly of: interest rate options, futures and swaps, and dollar forwards agreements.

Operations designated as cash-flow hedges have been documented formally, describing the Bank's general strategy, the objective of each of the operations conducted, a description of the risk to be hedged, identification of the primary position to be hedged (mainly part of the Bank's funding agreed at variable rates) and the process for testing hedge accounting determined by the Bank's highly effective.

Options

Interest rate options are contractual agreements in which the seller guarantees the buyer's right, but not the obligation, to either buy (cap) or sell (floor) at a determined date or for a determined period, a specific amount of a foreign currency or of a financial instrument at a predetermined price. The seller receives a premium from the buyer to offset the risk inherent to interest rates. The Bank is exposed to credit risk in these types of options.

At December 31, 2011 and 2010, the option agreement positions are shown below:

	2011		
	Notional amount	Fair value	
	Purchase	Purchase	Net
Notional amount	Ps. 1,185		
Premium		Ps.12	Ps.12
Fair value adjustment	-	(12)	(12)
Asset (liability) position	Ps. 1,185	Ps. -	Ps.-

	2010		
	Notional amount	Fair value	
	Purchase	Purchase	Net
Notional amount	Ps. 1,335		
Premium	-	Ps.17	Ps.17
Fair value adjustment	-	(16)	(16)
Asset (liability) position	Ps. 1,335	Ps. 1	Ps. 1

At December 31, 2011, interest rate options (designated as cash flow hedges) with a notional amount of Ps.1,185 and strikes of 10.50, 9.50 and 8 were outstanding. At December 31, 2010 interest rate options (designated as cash flow hedges) with a notional amount of Ps.1,335 and strikes of 10.50, 9.50 and 8% were outstanding.

Futures

Interest-rate futures represent a contractual obligation to pay or receive a net amount based on changes in interest rates. The credit risk is immaterial, as futures are agreements through the Mexder with margin calls determined by the bank clearing house.

At December 31, 2011 there were no futures contracts outstanding.

At December 31, 2010, the futures position (open agreements) is presented net in the balance sheet. The detail is presented below:

	2010				
	Gross position		Net position		
	Asset	Liability	Purchase	Sale	Net
Purchase/sale	Ps. 340	Ps. 339	Ps. 1	-	Ps. 1

During 2011, 2010 and 2009, the Bank entered into interest rate futures of Interbank interest rates (TIIE, for its initials in Spanish) generating a loss of Ps.1, Ps.3, and Ps.2, respectively.

Swaps

Interest-rate swaps are commitments to conduct a series of cash exchanges. The result is an economic exchange of interest rates. No exchanges are taken place at their notional amount, except in certain cross currency swaps. The Bank's credit risk represents the potential cost of replacing the swaps if the counterparty were to fail in meeting its obligations.

At December 31, 2011 and 2010, the swaps position is presented net in the balance sheet and the detail of the open gross and net position is as follow:

	2011				
	Gross position		Net position		
	Asset	Liability	Purchase	Sale	Net
Purchase/sale	Ps. 467	Ps. 648	Ps. -	(Ps. 181)	(Ps. 181)
Total	Ps. 467	Ps. 648	-	(Ps. 181)	(Ps. 181)

	2010				
	Gross position		Net position		
	Asset	Liability	Purchase	Sale	Net
Purchase/sale	Ps. 352	Ps. 499	Ps. -	(Ps. 147)	(Ps. 147)
Total	Ps. 352	Ps. 499	-	(Ps. 147)	(Ps. 147)

The Bank entered into interest rate swaps in pesos, for hedging purposes, with a number of different institutions, under which the Bank pays a fixed rate and receives a variable rate using the underlying interest rate asset TIIE at 28 days, with terms of 15 to 20 years. These agreements represent a notional reference amount of Ps.740 and Ps.375 in 2010.

Position of derivative portfolios at December 31, 2011 and 2010:

For hedging	Underlying asset	
	2011	2010
Interest rate swaps	TIIE 28	TIIE 28
Interest rate forward		TIIE 28
Interest rate options (CAPS)	TIIE 28	TIIE 28

The Bank had the following loans balances covered by credit derivatives (Note 3d.IV):

	December 31,	
	2011	2010
Related to commercial loans	Ps.159	Ps.140
Related to mortgage loans	(2)	-
	Ps.157	Ps.140

Note 9 - Loan portfolio:

Classification of performing and non-performing loans at December 31, 2011 and 2010 is as follows:

	2011		
	Principal amount	Interest earned	Total
Performing loans:			
Mexican pesos:			
Commercial	Ps. 9,165	Ps. 33	Ps. 9,198
Financial entities	530	2	532
Consumer	24	-	24
Mortgages	808	8	816
Government entities	1,992	5	1,997
Sub-total	12,519	48	12,567

	2011		
	Principal amount	Interest earned	Total
Performing loans:			
Loans in foreign currencies (expressed in Mexican pesos):			
Commercial loans	538	1	539
Financial entities	15	-	15
Consumer loans	-	-	-
Mortgages	-	-	-
Government entities	-	-	-
Sub-total	553	1	554
Total performing loans	13,072	49	13,121
Non-performing loans:			
Mexican pesos:			
Commercial	488	6	494
Financial entities	20	-	20
Consumer	9	-	9
Mortgages	112	1	113
Government entities	-	-	-
Total non-performing loans	629	7	636
Total loan portfolio	Ps. 13,701	Ps. 56	Ps. 13,757

	2010		
Performing loans:	Principal amount	Interest earned	Total
Mexican pesos:			
Commercial	Ps. 8,573	Ps. 1	Ps. 8,574
Financial entities	671	2	673
Consumer	41	-	41
Mortgages	686	2	688
Government entities	4,569	1	4,570
Sub-total	14,540	6	14,546
Loans in foreign currency (expressed in Mexican pesos):			
Commercial	324	1	325
Financial entities	1	-	1
	325	1	326
Total performing portfolio	14,865	7	14,872

	2010		
Non-performing loans:	Principal amount	Interest earned	Total
Mexican pesos:			
Commercial	356	7	363
Financial entities	2	-	2
Consumer	8	-	8
Mortgages	81	1	82
Total non-performing loans	447	8	455
Total loan portfolio	Ps. 15,312	Ps. 15	Ps. 15,327

The characteristics of the portfolio per economic sector of the Bank and per activity of the borrowers at December 31, 2011 and 2010 are analyzed as follows:

	2011			
Economic sector	Performing	Non-performing	Total	Concentration (%)
Manufacturing industry	Ps. 1,055	Ps. 127	Ps. 1,182	9
Construction	1,570	53	1,623	12
Commercial, restaurants and hotels	3,029	237	3,266	24
Transport, storage and communications	438	2	440	3
Financial services, insurance and movable property	2,766	56	2,822	20
Communal, social and personal services	4,089	158	4,247	31
Agriculture, forestry and fishing	165	1	166	1
Credit card	9	1	10	-
Other overdue debts	-	1	1	-
Total portfolio	Ps. 13,121	Ps. 636	Ps. 13,757	100

Economic sector	2010 Performing	Non-performing	Total	Concentration %
Manufacturing industry	Ps. 995	Ps. 119	Ps. 1,114	7
Construction	1,337	40	1,377	9
Commercial, restaurants and hotels	3,386	154	3,540	23
Transport, storage and communications	111	4	115	1
Financial services, insurance and movable property	2,358	20	2,378	16
Communal, social and personal services	6,677	116	6,793	44
Credit card	8	1	9	-
Other overdue debts	-	1	1	-
Total portfolio	Ps. 14,872	Ps. 455	Ps. 15,327	100

	2011 Days outstanding				
	1 to 180	181 to 365	1 to 2 years	Greater than 2 years	Total
Loans:					
Commercial	Ps. 175	Ps. 147	Ps. 103	Ps. 89	Ps. 514
Consumer	6	1	2	-	9
Mortgages	69	25	8	11	113
Total non-performing loans	Ps. 250	Ps. 173	Ps. 113	Ps. 100	Ps. 636

	2010 Days outstanding				
	1 to 180	181 to 365	1 to 2 years	Greater than 2 years	Total
Loans:					
Commercial	Ps. 352	Ps. 7	Ps. 4	Ps. 2	Ps. 365
Consumer	8	-	-	-	8
Mortgages	78	4	-	-	82
Total non-performing loans	Ps. 438	Ps. 11	Ps. 4	Ps. 2	Ps. 455

Following is an analysis of movements of non-performing portfolio for the years ended December 31, 2011 and 2010:

	2011	2010
Balance at beginning of year	Ps.455	Ps.316
Transfers from performing portfolio	922	479
Payments received	(384)	(144)
Restructuring and renewals	(248)	(167)
Foreclosed assets	(7)	(5)
Write offs	(80)	(10)
Transfer to performing portfolio	(22)	(14)
Balances at year end	Ps.636	Ps.455

The Bank has no accounts receivable from the IPAB (the Banking Savings Protection Fund) refer to note 3z.

Interest and commission income for 2011, 2010 and 2009, according to the type of credit, was comprised of:

	2011			2010	2009
Portfolio:	Interest	Commissions	Total	Total	Total
Commercial loans	Ps. 867	Ps.145	Ps.1,012	Ps. 886	Ps. 707
Financial entities	52	2	54	57	55
Consumer	7	18	25	21	16
Mortgages	96	3	99	83	70
Government entities	263	1	264	441	199
	Ps.1,285	Ps.169	Ps.1,454	Ps.1,488	Ps.1,047

The portfolio rating and the allowance for loan losses set up are comprised as follow:

	Portfolio at December 31, 2011			Portfolio at December 31, 2010				
Risk	%	Amount	Provision (%)	Amount	%	Amount	Provision (%)	Amount
A	0.00	Ps. -	0.00	Ps. -	0.00	Ps. -	0.00	Ps. -
A-1	79.39	10,989	14.22	51	62.03	9,574	9.54	47
A-2	5.42	750	2.23	8	13.06	2,012	4.05	20
B	0.00	-	0.00	-	0.05	7	0.05	1
B-1	12.39	1,714	18.13	65	2.31	356	1.93	9
B-2	0.43	60	1.39	5	18.19	2,808	28.94	142
B-3	0.08	11	0.56	2	0.11	16	0.66	3
C	0.01	1	0.15	1	0.00	-	0.02	-
C-1	0.32	44	2.51	9	2.76	427	18.31	90
C-2	0.28	39	4.46	16	0.23	35	2.83	14
D	0.46	63	10.60	38	0.46	72	9.06	45
E	1.23	170	45.75	164	0.83	128	24.61	121
Total	100	Ps. 13,841		359	100	Ps.15,435	Provision set up	492
Past-due interest				6				8
Ordered by the Commission				1				2
Total portfolio				Ps. 366				Ps. 502

The coverage of the loan loss reserve is shown below:

	December 31,	
	2011	2010
Required allowance for loan losses	Ps. 366	Ps. 502
Recorded allowance for loan losses	366	502
Excess over allowance for loan losses	Ps. -	Ps. -
Coverage of non-performing loans	57.55%	110.33%

The portfolio rated per type of loan is comprised as follows:

	December 31, 2011				December 31, 2010
Risk level	Commercial	Consumer	Mortgage	Total	Total
A	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -
A-1	10,133	18	838	10,989	9,574
A-2	750	-	-	750	2,013
B	-	-	-	-	7
B-1	1,628	7	79	1,714	357
B-2	55	5	-	60	2,807
B-3	11	-	-	11	16
C	-	1	-	1	-
C-1	33	-	11	44	427
C-2	39	-	-	39	35
D	61	2	-	63	71
E	168	1	1	170	128
Rated portfolio	Ps.12,878	Ps. 34	Ps. 929	13,841	15,435
Past-due interest				(6)	(19)
Letters of credit				(78)	(89)
Total portfolio				Ps.13,757	Ps.15,327

The allowance for loan losses per type of loan is comprised as follows:

	December 31, 2011				December 31, 2010
Risk level	Commercial	Consumer	Mortgage	Total	Total
A	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -
A-1	51	-	1	52	47
A-2	8	-	-	8	20
B	-	-	-	-	-
B-1	58	1	6	65	9
B-2	4	-	1	5	142
B-3	2	-	-	2	3
C	-	1	-	1	-
C-1	7	-	2	9	90
C-2	16	-	-	16	14
D	36	1	-	37	45
E	161	2	1	164	122
Rated portfolio	Ps. 343	Ps. 5	Ps.11	359	492
Past-due interest				6	8
Ordered by the Commission				1	2
Total portfolio				Ps. 366	Ps. 502

Changes in the allowance for loan losses were as follows:

	2011	2010
Balance at beginning of period	Ps.502	Ps.333
Plus:		
Provision for the period	135	284
Less:		
Write offs	140	115
Reversal of reserves against retained earnings (Note 24)	131	-
Balance at end of year	Ps.366	Ps.502

The allowance for loan losses recognized by the Bank includes Ps.7 and Ps.8 at December 31, 2011 and 2010, respectively, corresponding to the complement to reserve 100% of past due interest at the close of each year.

In accordance with the rules for loan-portfolio rating issued by the SHCP and the Commission, the Bank determined the allowance for loan losses, taking into account the borrowers' payment capacity and rating the risks pertaining to the commercial portfolio at the period close.

In rating the commercial loan portfolio, the debtor's credit quality must be evaluated. However, the determination of the amount to be reserved also considers in the computation the value of the guarantees provided by customers.

The debtor's credit quality is evaluated rating the following aspects:

a. Country risk: an assessment is performed to determine the risk involved with loans granted to individuals resident abroad or entities whose registered office or principal place of business, or source of wealth is abroad, which would mean that the risk factors of the country could have an impact on the debtor's capability to repay the debt.

   To evaluate the country risk, the base ratings assigned to the country by internationally recognized rating agencies must be used as reference.

b. Financial risk: two analyses are performed in order to determine the financial risk:

   1. Quantitative: an evaluation is conducted on the financial ratios (liquidity, cash flows, leverage, profitability and efficiency); in addition, the quality and timeliness of the information is also evaluated.

   2. Qualitative: an evaluation is conducted to identify Management's capacity to conduct a profitable business. The factors to be evaluated are: Management competence, organizational structure and the shareholders' composition.

c. Industry risk: evaluates the main factors that have an impact in the primary industry in which the debtor participates, as well as the quality and timeliness of the information provided.

d. Payment experience: the main objective is to evaluate the debtor's payment performance over the past twelve months, as well as the quality and timeliness of the information provided. Factors evaluated include payment records, as well as the quality and timeliness of the information provided.

   As a result of the aforementioned analyses, a rating is assigned as follows: A-1, A-2, B-1, B-2, B-3, C-1, C-2, D and E.

Once the rating has been conducted, an accumulated rating for every aspect is determined progressively per debtor, as follows:

a. If applicable, the result of the country risk rating must be used as the debtor's initial rating.

b. The result of the financial risk rating will determine the accumulated rating, in the event the country risk is not applicable. When the country risk is applicable, the accumulated rating is that which reflects a greater degree of risk between the country and financial risk rating.

c. The result of the industry risk rating allows the decrease of the risk of the accumulated rating obtained as per point b. above, as shown in the following table:

Industry risk rating	Accumulated rating	New accumulated rating
A-1 or A-2	A-1	A-1
	A-2	A-2
	B-1	A-2
	B-2	B-1
	B-3	B-3
	C-1	C-1
	C-2	C-2
	D	D
	E	E

d. The accumulated rating resulting from the process set out in points a., b. and c. above is combined with the rating related to the payment experience.

Payment experience									
Accumulated rating	A1	A2.	B1	B2	B3	C1	C2	D	E
A1	A1	A1	A2	B1	B2	B3	C2	D	E
A2	A1	A2	A2	B1	B2	B3	C2	D	E
B1	A2	B1	B1	B1	B2	B3	C2	D	E
B2	B1	B2	B2	B2	B2	B3	C2	D	E
B3	B2	B3	B3	B3	B3	B3	C2	D	E
C1	B3	C1	C1	C1	C1	C1	C2	D	E
C2	C2	C2	C2	C2	C2	C2	C2	D	E
D	D	D	D	D	D	D	D	D	E
E	E	E	E	E	E	E	E	E	E

Once the debtor's accumulated rating has been obtained, which is the initial rating assigned to each loan; each loan is rated, on the basis of the value of the guarantees. The initial rating can be adjusted, through evaluating the ratio of the outstanding balance to the value of the personal guarantees and, if applicable, real guarantees. No personal or real guarantees from the same guarantor could be considered to adjust the rating.

In cases of restructurings, renewals and transfers of loan portfolio of non-performing loans, according to Mexican Banking GAAP, the Bank assigns as the initial rating at least the C2 risk level, which could be modified once there is evidence of sustained payment.

Notwithstanding the above, risk level C-2 is not assigned to restructured commercial loans, which are rather subject to the provisions set out in the next paragraph, provided they are:

I. Different from those with a lump-sum payment of principal and interest at maturity, and

II. transferred to the non-performing portfolio, because the borrower:

   a. Failed to settle in time the total interest accrued as per the terms and conditions originally agreed upon, or

   b. Failed to cover i) 25% of the original amount of the loan, if the restructure is conducted at the end of the original term of the loan, or ii) the original amount of the loan, which, at the date of the reclassification, should have been covered, when the restructure is conducted during the original term of the loan.

Regardless of the matters addressed in the paragraphs above, with respect to commercial loans that are restructured, renewed or assigned at the date on which they obtain a rating, and that mature in a period between 90 and 179 days or less than 179 days when the loans are to be paid in a lump sum at maturity, the Bank can assign, at least as an initial rating for the exposed part of the loans referred to in this paragraph, the C-2 risk rating, without this implying that they fall under the E risk level. In addition, the Bank can modify the C-2 initial rating of restructured, renewed or assigned non-performing loans, when there is evidence of sustained payment, as per the provisions of Criterion B-6 “Loan Portfolio” of Mexican Banking GAAP.

Additionally, the rating of the loans that are partially or totally covered by guarantees can be adjusted by determining a rating for the uncovered portion of the loan and one or more rating for the covered portion of the loan depending on the types of guarantees provided.

In the event of default prior to receiving sustained payments of a non-performing loan that has been restructured, renewed or transferred, it must be rated as an E risk loan. Such rating must be maintained until there is evidence of sustained payment.

If in rating loans there are two or more guarantees, the outstanding balance on the loan can be segmented in the parts resulting from applying the following criteria:

a. The portion of the balance secured by two or more guarantees, whether personal, real or both, must be determined, as well as the portion exposed or not secured.

b. The following procedure must be applied to the secured portion of the balance, in terms of the type of the guarantee granted:

i. The guaranteed portion of the loan can be divided into two or more parts, when covered by two or more personal guarantees, provided each guarantor is responsible for a proportional part of the balance of the loan.

ii. The portion covered can be divided into two or more parts, when guaranteed by two or more real guarantees, provided each of them is responsible for a proportional part of the loan balance and there is an agreement that allows for identification of each of the encumbered goods.

iii. In the case of combinations of personal and real guarantees, both to determine the portion covered as to make the corresponding adjustments, only one of the personal guarantees can be taken, up to the specific amount covered by that guarantee. Additionally, all of the real guarantees in place can be considered, as per the terms of these provisions, up to the specific amount covered by those guarantees.

In analyzing the personal and real guarantees to decrease the level of risk, the provisions of articles 119, 120 and 121 of the Sole Circular for Banks must be applied.

Rating of loans whose balances are either partially or entirely covered with respect to the value of the guarantees obtained could result in different ratings, one for the exposed portion of the loan balance and one or more for the portion or portions covered, depending on the number of guarantees used and the characteristics thereof.

Allowance for loan losses			
Risk rating	Lower (%)	Intermediate (%)	Higher (%)
A-1	.5		
A-2	.99		
B-1	1	3	4.99
B-2	5	7	9.99
B-3	10	15	19.99
C-1	20	30	39.99
C-2	40	50	59.99
D	60	75	89.99
E	100		

In rating the portfolio on own-source investment projects, the following must be evaluated:

a. That the provisions of Exhibit 19 of the aforementioned circular be followed.

b. That the risk assessment in the construction phase be performed as follows:

With regards to the cost of the project, calculation of the project's cost overrun that corresponds to the institutions, and calculation of the percentage of the uncovered cost must be done, so as to evaluate the risk factors.

- Calculation of the degree of delay on the project.
- Calculations of flows generated by the project.
- Provisioning percentage.
- Risk level.

- Calculation of flows generated by the project.
- Calculation of the deficit.
- Calculation of the uncovered percentage of the loan (provisioning percentage and risk level).

In rating the portfolio on own-source investment projects, the following must be evaluated:

The billing periods showing default and, if applicable, the severity of the loss related to the value and nature of the loans' guarantees, as per the provisions of article 91 of the circular.
The Bank provides the Commission with the monthly results of the loan portfolio rating.

Following is a breakdown of the general allowance for loan losses. No specific reserve was determined in 2011 and 2010:

	2011	2010
Loans	General	General
Commercial	Ps.343	Ps.456
Consumer	4	3
Mortgages	11	33
Additional	8	10
Total	Ps.366	Ps.502

At December 31, 2011 and 2010, the following loan restructurings were conducted:

	2011		2010	
	Restructured		Restructured	
	Performing	Non-performing	Performing	Non-performing
Commercial loans				
Mexican pesos	Ps. 787	Ps. 53	Ps.600	Ps. 47
US dollars	-	-	122	-
Government loans				
Mexican pesos	1,513	-	66	-
Financial loans				
Mexican pesos	-	7	-	-
Consumer loans				
Mexican pesos	-	1	-	-
Mortages loans				
Mexican pesos	-	24	-	-
Total	Ps. 2,300	Ps. 85	Ps.788	Ps. 47

At December 31, 2011 and 2010, additional guarantees were obtained and concessions were granted from restructuring the aforementioned loans, as follows:

Nature	2011	2010
Guarantee	Ps. 21	Ps. 31
Mortgage	257	-
Pledge	28	11
Nafin guarantee *	15	32
Liquid guarantees	6	5
Other guarantees	5	8
Pecuniary rights	2	88
Total	Ps. 334	Ps. 175

* Mexican Government has established certain funds to promote the development of specific areas of agriculture, cattle ranching, industrial and tourism sectors, which are managed mainly by the Central Bank, Nacional Financiera, S. N. C. (a national development bank, "NAFIN" for its acronym in Spanish), and others.

In addition, in 2011, the Bank had foreclosed assets in the amount of Ps6 (Ps5 in 2010).

Concessions granted in restructured loans were due to a change in term or form of payment.

With respect to non-performing loans restructured in the period, there were no agreements to capitalize uncollected past-due interest.

In 2011 and 2010, the Bank did not write-off any of the non-performing loans that were reserved at 100%.

In 2011 and 2010, the Bank did not acquire any loan portfolio, and therefore, did not set up a reserve for that purpose; moreover, no transfers of loan portfolio were conducted.

"Rediscounted loans" are peso- and dollar denominated loans made to finance projects in industries that qualify for priority status under the wholesale lending programs of the Mexican government's development banks and generally funded by such development banks. In accordance with Accounting Criteria, rediscounted loans are recorded on the balance sheet as outstanding loans. Discounts and rediscounts granted by the Bank at December 31, 2011 totaled Ps.3,185 (Ps.4,347 in 2010), corresponding to loans financed by Nafin and Fideicomisos Instituidos en Relación con la Agricultura (FIRA by its initials in Spanish). Such amounts represent therefore a direct obligation of the Bank to those organizations but are recognized in the balance sheet as part of the bank's portfolio.

Due to the requirement to cease the accrual of interest associated with non-performing portfolio, the unrecognized interest in 2011, 2010 and 2009 was Ps.111 Ps.89 and Ps.59, respectively.

The general framework for lending with related parties is covered by Articles 73, 73 bis, and 73 bis 1 of the Law. In its monthly reporting to the Commission, the Bank must provide an indicator on related lending. All related lending must have the Board of Directors' approval based on adequate information. The total amount of credit to related parties cannot exceed 75 percent of a bank's Tier 1 capital (Article 73 bis of the Law). At December 31, 2011, 2010 and 2009, the financing with related parties, determined in accordance with the rules mentioned above, totaled Ps.470 and Ps.513 and Ps. 405, respectively.

As a result of the portfolio rating process, loans rated D and E will be considered to be impaired loans.

The balances of the impaired commercial portfolio, both current and past-due, totaled Ps.41 and Ps.371; Ps.38 and Ps.128; and Ps.22 andPs.177, at December 31, 2011, 2010 and 2009, respectively).

Policies and procedures for loan granting, control and recovery, as well as for assessment and follow up on credit risk

Some of the main policies implemented to be complied with by loan applicants are:

1. That the client's financial position be favorable.

2. That the financing requested be proportionate to the level of sales and/or of stockholders' equity. For the financing of investment projects, the maximum amount to be financed will be equivalent to 50% of the project's total value.

3. That the ratio of total liabilities/total stockholders' equity does not exceed 2, depending on the Bank's line of business.

4. That the company requesting financing is not newly created, unless it constitutes an investment project, with experience and success in at least two other similar projects.

5. That rating of payment experience granted by other banks in the Credit Bureau report be A1, A2, B1, B2 or B3 at the most.

6. That the requester has not been in suspension of payment or the defendant in lawsuits or seizures.

7. That the requester is not the defendant in a lawsuit or foreclosure for more than 10% of the requested loan.

8. That the requester has not reported losses in the most recent two periods, unless it is observed in the most recent periods that the loss trend has been reverted and is generating profits.

9. Individuals conducting business operations will be accepted provided the economic unit is organized as if it were a company and meets the requirements set forth in points 1 to 7 above.

10. Investor individuals of our private banking system can be accredited, to support liquidity, through loans with collateral guarantee of their own investments.

11. To present new loans to the Credit Committee, the maximum risk of the debtor's rating must be B3, unless the loans are secured with collateral guarantees on cash or on rights of deposit or Standby payable to the Bank, issued by first-order foreign banks.

12. To grant new revolving lines and/or agree to their renewal, the applicant must be in compliance with the following, according to the last two financial statements:

    - Altman index greater or equal to 2.
    - A1 or A2 financial risk rating.
    - A1 or A2 payment experience rating.

13. Activities not subject a bank loan:

- Non-bank financial sector.
- Textile industry.
- Office construction.
- Companies with a poor financial situation.
- Companies engaged in preparing software.
- Companies engaged in the sale of wine and spirits.
- Civil partnerships and not-for-profit associations.
- Controlling or holding companies.
- Schools.
- Social or sports clubs.
- Producers and merchants guild.
- Industrial and commercial chamber.
- Political parties.
- Unions .
- Newspapers.
- Lawyers.
- Communal farmers.
- Co-ops.
- Bars and night clubs

The Credit Committees can authorize, irrespective of whether or not the above requirements are met, on the basis of their knowledge of the customer.

Main policies on credit management

The main policies implemented by the Bank are:

a. Creation and maintenance of the loan file, so as to follow up on a borrower and the loans granted.

b. All documentation supporting the loan operation must be held by the corresponding credit area for safekeeping.

c. Mandatory monthly review of all loan customers for loan rating on the basis of the methodology established in the general provisions issued by the Commission.

d. Validation of compliance with the conditions to do and not to do set forth in the loan agreements:

- Updating of the report on inspection visit and/or report on semi-annual/annual supervision.
- Semi-annual restatement of internal financial statements.
- Restatement of audited financial statements, as applicable.
- Policies, receipts and endorsements.

- Annual review of lines of credit.
- Restatement of collateral guarantees.
- Review of payment records, observing the behavior of the customer's payment through semiannual/maximum annual consultations to the Credit Bureau, which will also serve for rating the portfolio.
- Review of handling of the borrower's checkbook, average deposits and returned checks.

e. Creation of allowances for loan losses arising from the portfolio rating process.

f. Policies on collections: credit management ends upon total collection of the capital and accessories of each of the loans granted to a customer. Collections can be of three types:

- Normal.
- Administrative.
- Litigious or contentious.

g. Policies on loan restructuring or loans under observation: Credit Management, in conjunction with Commercial Management, will be in charge of monitoring impaired loans, showing strong evidence of the likelihood of default.

Accounting policies and method for identifying impaired commercial loans

Policies and procedures established in determining credit risk concentrations.

The policies established for the Bank's portfolio concentration, as contained in the credit manual, refer to the amounts to be granted to each of the principal economic sectors and subsectors, determining the maximum amount to be granted in terms of a percentage of the Bank's net capital, both for individuals and for entities, establishing the desired concentrations according to the types of loans, terms and currency, that will allow for locating and concentrating the effects of the rating of the portfolio from which they stem, at the levels demanding fewer loan loss reserve-related requirements.

The portfolio concentration goals established in the credit manual, as well as quarterly follow up thereon, allow for maintaining proper diversification of the loan portfolio, on the basis of the Bank's objective market.

Related loans

These loans as a whole must not exceed 50% of the Bank's basic capital, which must be approved by the Board of Directors.

The Bank adjusted to the maximum financing limits established for one same party or group representing a common risk. In addition, no operations were conducted with customers considered as an individual or group of individuals representing, in one or more liability transactions of the Bank, more than 100% of the basic capital.

As of December 31, 2011 and 2010, the Bank had 25 and 20 loans, respectively, that exceeded 10% of its basic capital reported as of September 2011, amounting to Ps.5,800 and Ps.7,801. These loans represented between 10.14, 153.18%,11.31 and 145% of the basic capital, respectively. Additionally, the three largest debtors or group of related parties considered as a single debtor, amount to Ps.854 and Ps.903, in 2011 and 2010, respectively.

Note 10 - Other accounts receivable - Net:

At December 31, 2011 and 2010, other accounts receivable are comprised as follows:

	2011	2010
Tax receivables	Ps. 64	Ps. 44
Debtors on purchase/sale of foreign currency	515	491
Employees loans	59	42
Accounts receivable associated with credit operations	15	9
Sundry debtors	27	18
	680	604
Allowance for doubtful accounts	(14)	(9)
	Ps.666	Ps.595

Accounts and notes receivable in foreign currency total Ps.0.21 and Ps.0.12, for 2011 and 2010, respectively.

Note 11 - Foreclosed assets:

At December 31, 2011 and 2010, foreclosed assets or goods received as payment in kind are comprised as follows:

	2011	2010
Foreclosed real property	Ps. 36	Ps. 33
Impairment reserve	(25)	(25)
	Ps. 11	Ps. 8

The procedures used for valuation and the determination of the impairment reserve consist of applying the required percentages based on the time elapsed.

Note 12 - Analysis of property, furniture and equipment:

At December 31, 2011 and 2010, property, furniture and equipment are analyzed as follows:

	December 31,		Annual depreciation rate
	2011	2010	(%)
Component subject to depreciation			
Building	Ps. 57	Ps. 57	5
Office furniture and equipment	63	57	10
Transportation equipment	3	5	25
Computer equipment	144	66	30
	267	185	
Less - Accumulated depreciation	113	98	
	154	87	
Leasehold improvements - Net	64	42	lease term
Component not subject to depreciation			
Land	Ps. 38	Ps. 38	
	Ps.256	Ps.167	

Depreciation expense recognized during 2011, 2010 and 2009 totals Ps.31, Ps.29 and Ps.28, respectively, which is recognized in the administration expenses caption.

There are fully depreciated assets totaling Ps.56 and Ps.40 at December 31, 2011 and 2010, respectively, corresponding to office furniture and equipment, computer equipment and transportation equipment.

At December 31, 2011, there are no factors indicative of impairment of long-lived assets.

In adopting the changes in MFRS C-6, the Bank reassessed the useful lives and residual values of its assets and recognized the adjustment prospectively, as required by the standard. Depreciation and amortization expense decreased by Ps.5 after changing some of the useful lives and residual values of its assets, as shown below:

	Depreciation and amortization	
	Change in MFRS C-6	Without change in MFRS C-6
Leasehold improvements	Ps. 12	Ps. 15
Building	1	2
Transportation equipment	-	1
total	Ps. 13	Ps. 18

Prospective modifications in the amortization of leasehold improvements: in some branches, the amortization term was increased as it is now considering the renewal provisions included in the lease agreements. Based on Management's projections, it is probable that the Bank will be renewing those lease agreements and, consequently, the term of the leasehold improvements amortization was modified. Prior to this modification, renewals were not considered when determining the term of the lease. The useful life of the leasehold improvements is higher than the term of the lease, and, therefore, the Bank is amortizing the leasehold improvements over the term of the lease.

Note 13 - Analysis of other assets, deferred charges and intangibles:

At December 31, 2011 and 2010, this item is comprised as follows:

	December 31,	
	2011	2010
Advance payments	Ps. 30	Ps. 1
Capitalization of the banking platform	489	327
Prepaid expenses	15	12
Guaranty deposits	14	9
Additional obligations for labor Benefits at retirement	6	6
Expenses for issuance of securities - Net	3	7
	Ps.557	Ps.362

The banking platform is composed of the following:

	December 31,	
Item	2011	2010
Salaries and other	Ps.159	Ps. 95
Licenses and software	154	165
Professional services	176	67
Total	Ps.489	Ps.327

Note 14 - Deposits:

At December 31, 2011 and 2010, deposits from customers per type of currency are comprised as follows:

	Mexican pesos		Foreign currency		Total	
	2011	2010	2011	2010	2011	2010
Demand deposits:						
Without interest	Ps. 930	Ps. 1,245	Ps. 262	Ps. 160	Ps. 1,192	Ps. 1,405
With interest	2,245	1,511	-	-	2,245	1,511
Time deposits:						
Received from the general public	5,722	4,299	393	873	6,115	5,172
Money market	11,236	11,882		-	11,236	11,882
Outstanding bank bonds:	-	-	78	77	78	77
Total	Ps. 20,133	Ps. 18,937	Ps. 733	Ps.1,110	Ps. 20,866	Ps. 20,047

These liabilities yield interest at the following average rates, depending on the type of instrument and average balance maintained in the investments:

	2011 interest rates		2010 interest rates	
	Mexican pesos (%)	Foreign currency (%)	Mexican pesos (%)	Foreign currency (%)
Traditional deposits	4.28	.64	4.52	.94
Demand deposits	2.88	.00	2.60	.00
Time deposits	4.75	.88	4.95	1.21
Debt instruments issued		1.96		1.29

Note 15 - Interbank loans and loans from other entities:

At December 31, 2011 and 2010, the balance of interbank loans and loans from other entities is comprised as follows:

	December 31,					
	Mexican pesos		Foreign currency restated to pesos		Total	
	2011	2010	2011	2010	2011	2010
Short-term:						
Banxico loans	Ps. 300	Ps. 402	Ps. -	Ps. -	Ps. 300	Ps. 402
Development bank loans	565	1,411	20	27	585	1,438
Development funds	1,834	2,097	-	-	1,834	2,097
Total demand and short-term	2,699	3,910	20	27	2,719	3,937

	December 31,					
	Mexican pesos		Foreign currency restated to pesos		Total	
	2011	2010	2011	2010	2011	2010
Long-term:						
Development bank loans	234	237	86	94	320	331
Development funds	446	481	-	-	446	481
Total long-term	680	718	86	94	766	812
Total interbank loans and loans from other entities	Ps. 3,379	Ps. 4,628	Ps. 106	Ps. 121	Ps. 3,485	Ps. 4,749

Interbank loans and loans from other entities contracted by the Bank are agreed at terms of one day to 3 years in 2011 and 2010 and at rates fluctuating between 4.51% and 10.51% annually for 2011 (5.85% and 10.6% for 2010).

Such loans are contracted with domestic and foreign financial institutions, with no significant concentration in the following loans:

Millions of dollars	December 2011			December 2010		
Institution	Line	Drawn down	Available	Line	Drawn down	Available
Deutsche Bank	Ps. 5	Ps. 4	Ps. 1	Ps. 5	Ps. 6	(Ps. 1)
Citibank	1	-	-	1	1	-
Standard Chartered Bank	1	-	1	10	-	10
Total c.c.i.	7	4	2	16	7	9
Financing: Bancomext available for: financing	30	12	18	30	15	15
Total c.c. and financing	37	16	20	Ps. 46	Ps. 22	Ps. 24

Note 16 - Sundry creditors and other accounts payable:

At December 31, 2011 and 2010, the balance pertaining to this caption is comprised as follows:

	2011	2010
Cashier's check	Ps. 9	Ps. 6
Certified checks	7	3
Other liabilities arising from the rendering of banking services	2	75
Creditors in settlement transaction	761	559
Creditors in acquisition of assets	61	54
Taxes payable	34	30
Provision for post-retirement labor obligations	6	6
Seniority premium and termination benefits	19	16
Income tax payable	4	16
Employees' statutory profit sharing (ESPS) payable	-	15
Guaranty deposits	2	2
Sundry creditors	325	131
Other reserves	28	28
	Ps. 1,258	Ps. 941

The following is an analysis of changes in the most significant provisions:

Type of provision	Balance at January 1, 2011	Increases	Application	Cancelations	Balance at December 31, 2011
Short-term:					
Provision for professional fees and services	Ps.5	Ps. 13	Ps. 10	Ps. 2	Ps. 6
Creditable VAT provision	8	51	52	-	7
Total	Ps. 13	Ps. 64	Ps. 62	Ps. 2	Ps. 13
Long-term:					
For seniority premiums	Ps. 2	Ps. 1	Ps. -	Ps. -	Ps. 3
For termination benefits payments	14	19	17	-	16
Total	Ps. 16	Ps. 20	Ps. 17	Ps.	Ps. 19

Type of provision	Balance at January 1, 2010	Increases	Application	Cancellations	Balance at December 31, 2010
Short-term:					
Provision	Ps. 1	Ps. 32	Ps. 27	Ps. 1	Ps. 5
Creditable VAT provision	13	72	77	-	8
Total	Ps. 14	Ps.104	Ps.104	Ps. 1	Ps. 13
Long-term:					
For seniority premiums	Ps. 2	Ps. 1	Ps. 1	Ps. -	Ps. 2
For termination benefits payments	8	13	7	-	14
Total	Ps. 10	Ps. 14	Ps. 8	Ps. -	Ps. 16

Those provisions have been recorded in the accounting records on the basis of management's best estimate of the amount needed to cover current obligations. However, actual results could differ from the recorded provisions.

The provision for VAT payable is generated as an estimate of the difference between VAT incurred and creditable VAT, depending on compliance or not of certain conditions. The provision is cancelled upon applying the payment by the 17th of the month following that to which the tax corresponds, at the latest.

Note 17 - Outstanding subordinated debentures:

At December 31, 2011 and 2010, there are outstanding subordinated debentures of Ps.1,424 and Ps.1,262, respectively, which include interest earned of Ps.29 and Ps.27, respectively.

At the July 16, 2007 Extraordinary General Stockholders' Meeting, notarized on July 16, 2007, the stockholders approved issuance of not-for-profit and non-preferential perpetual subordinated debentures, not subject to be converted to shares, of up to 125 million dollars, with no term or maturity of the principal. The issuance was conducted on July 25, 2007, in the amount of USD.100,000,000. Interest is to be earned at an annual fixed rate of 11%, payable every 90 days, on October 25, January, April and July of each year.

The debentures issued are considered to qualify as Bank capital when calculating the capitalization index and are redeemable, at the option of the Bank, as from the fifth year. The resources have been used for the Bank's corporate purposes.

Note 18 - Employee benefits:

a. Reconciliation between the initial and final balances of the present value of Defined Benefit Obligations (DBO) for 2011 and 2010:

	2011		2010	
	Seniority premiums	Termination benefits	Seniority premiums	Termination benefits
DBO at January 1	(Ps. 3)	(Ps. 27)	(Ps. 3)	(Ps. 20)
Service cost	(1)	(6)	-	(4)
Financial cost	-	(2)	-	(2)
Actuarial losses (gains) generated in the period	-	(12)	(1)	(7)
Benefits paid	-	14	1	7
Past service costs	-	(1)	-	(1)
DBO at December 31	(Ps. 4)	(Ps. 34)	(Ps. 3)	(Ps. 27)

b. The value of benefit obligations acquired at December 31, 2011 and 2010 amounted to Ps.1

c. Reconciliation of Defined Benefit Obligation (DBO), Plan Assets (PA) and the Net Projected Liability (NPL).

Following is a reconciliation between the present value of the DBO and the fair value of PA's and the Net Projected Asset/Liability (NPA/L) recognized in the balance sheet:

	Seniority premium at December 31,		Termination benefits at December 31,	
	2011	2010	2011	2010
Labor liabilities:				
DBO	(Ps. 4)	(Ps. 3)	(Ps. 34)	(Ps. 27)
PA	-	-	-	-
Financing position	(4)	(3)	(34)	(27)
Less: Unamortized items:				
Actuarial (gains) losses	1	1	23	16
Unamortized transition liability	-	-	1	3
Actuarial losses applied	-	-	(6)	(6)
NPA/L	(Ps. 3)	(Ps. 2)	(Ps. 16)	(Ps. 14)

d. NCP

Following is an analysis of the NCP per type of plan:

	Seniority premium at December 31,		Termination benefits at December 31,	
Net cost for the period:	2011	2010	2011	2010
Labor cost of current service	(Ps. 1)	(Ps. 1)	(Ps. 6)	(Ps. 4)
Financial cost	-	-	(2)	(2)
Amortization of unamortized items	-	-	(8)	(7)
Total	(Ps. 1)	Ps. 1	(Ps. 16)	(Ps. 13)

e. Main actuarial assumptions

The main actuarial assumptions used, stated in absolute terms, as well as discount rates, plan asset yields, salary increase and changes in indexes and other variables, referred at December 31, 2011 and 2010, are:

Mortality experience

For 2011 and 2010, the mortality table used was that known as "Experiencia Mexicana CNSF-2000-1".

Disability experience

The turnover table shows the following indices:

Age	Index 2011 (%)	Index 2010 (%)
20	16.32	16.32
30	7.76	7.76
40	5.20	5.20
50	0.64	0.64
60		-

Economic-financial bases	2011 (%)	2010 (%)
Discount rate:	7.68	7.12
Rate of increase and projected salary changes:	5.25	5.04
Rates of return on assets:	N/A	N/A
Inflation rate estimated:	3.90	4.00

The financing method used for accounting effects is that described in paragraph 52 of MFRS D-3 "Employee benefits".

f. Value of DBO, PA and plan position over the last four years:

The value of the DBO, the fair value of PA's, the plan position, as well as the experience adjustments for the last four years are as shown below:

Seniority premium

Year	Historical values DBO	Experience adjustments Situation of plan
2011	Ps.3	Ps. 3
2010	3	3
2009	3	3
2008	2	2

Termination benefits

Year	Historical values DBO	Experience adjustments Situation of plan
2011	Ps.34	Ps. 34
2010	27	27
2009	20	20
2008	14	14

g. ESPS

The ESPS provision is analyzed as follows:

	Year ended December 31,		
	2011	2010	2009
ESPS incurred	Ps. -	Ps. 14	Ps. 5
Deferred ESPS	(1)	(16)	2
	(Ps. 1)	(Ps. 2)	Ps. 7

The ESPS base is determined as per article 10 of the Income Tax Law.

The main temporary differences for which deferred ESPS was recorded are analyzed as follows:

	December 31, 2011	2010
Allowance for portfolio and doubtful accounts	Ps. 69	Ps.103
Liability provisions	34	38
Furniture and equipment and intangible assets	106	78
Other	57	50
	266	269
ESPS rate applicable	10%	10%
Deferred ESPS asset	Ps. 27	Ps. 27

Note 19 - Stockholders' equity:

Capital stock structure

At the April 16, 2010 General Stockholders' Meeting, the stockholders agreed to place in circulation 50,000 ordinary, nominative, Series "O" shares, with a par value of one thousand pesos each, that were deposited in the Treasury for subscription thereof and payment by the Bank's stockholders.

The capital stock December 31, 2011 and 2010 is comprised as follows:

Shares	Description	Amount
550,000	Authorized capital stock	Ps. 550
(10,000)	Subscribed capital stock not paid in	(10)
540,000*	Paid-in capital	540
	Accumulated inflation	631
	Capital stock	Ps. 1,171

* Nominative shares with a par value of one thousand pesos each, entirely subscribed and paid-in.

Shares within the same series share the same nominal value confer their holders the same rights, and must be entirely paid-in in cash when subscribed.

Subscription of Series "O" shares is unrestricted. Through one or more simultaneous or successive operations, any individual or entity can acquire Series "O" Bank shares, provided all related legal provisions are met.

Restrictions on stockholders' equity

In accordance with the Law, foreign entities exercising functions of authority are restricted from participating in any capacity in the capital stock of multiple banking institutions.

On the other hand, the Bank is required to set up a legal reserve, annually setting aside 10% of its net profits until the reserve reaches the equivalent of its paid-in capital.

Dividends

Dividends paid are free of income tax if paid out from the after tax earnings account. Dividends in excess of the after tax earnings account are subject to 42.86% tax if paid in 2011. Tax incurred is payable by the Bank and may be credited against income tax for the period and for the following two periods or, if applicable, against flat tax for the period. Dividends paid out from previously taxed earnings are subject to no tax withholding or additional tax.

In the event of a capital reduction, any excess of stockholders' equity over the capital contributions account is accorded the same tax treatment as dividends, in accordance with the provisions set forth in the Income Tax Law.

Other effects on stockholders' equity

At December 31, 2011 and 2010 and 2009, the Bank's stockholders' equity shows (Ps.7) and (Ps.3) and (Ps.1), respectively, corresponding to the gain or loss from valuation of available for sale securities and (Ps.14) and (Ps.12) and (Ps.10), respectively, corresponding to the gain or loss from valuation of cash flows hedging instruments, whose book effects have been generated from valuations of assets that have not necessarily been realized.

Comprehensive income and net income per shares

Comprehensive income for the years ended on December 31, 2011 and 2010 are analyzed as follows:

Item	2011	2010	2009
Net income	Ps.167	Ps. 215	Ps. 57
Effects from valuation of cash-flows hedging Instruments, net of income tax	4	4	29
Effects from valuation of available for sale securities, net of income tax	(1)	(3)	(3)
Comprehensive income	Ps.170	Ps.216	Ps. 83

Income per share at December 31, 2011 and 2010 is as follows:

Net income attributable to:

Capital earned:	2011	2010	2009
Net income	Ps. 167	Ps. 215	Ps. 57
Weighted average shares	540,000	540,000	490,000
Earnings per share (pesos)	Ps. 310	Ps. 398	Ps. 116

Minimum capital stock

The Bank's subscribed and paid-in minimum capital is equivalent, in pesos, to the value of ninety million UDI. The minimum capital stock required for the Bank to operate must be subscribed and paid-in. When the capital stock exceeds the minimum, at least 50% must be paid-in, provided this percentage is not below the established minimum.

In order to comply with minimum capital requirements, the Bank can consider the net capital held, as per the provisions of article 50 of the Law. At no time can the minimum capital exceed net capital.

Capitalization

a. Net capital

The Bank maintains net capital related to the market, credit and operating risks to which it is exposed, and which is not below the sum of the capital requirements pertaining to said types of risk, in terms of the Capitalization Requirement Rules for Multiple Banking Institutions, issued by the Department of Finance.

At the 2011 year-end close, the Bank determined a capitalization index of 13.05% (14.99% in 2010), arrived at by dividing net capital by its assets at credit, market and operational risk.

Following is the information corresponding to the capitalization index:

	December 31,	
	2011	2010
Assets at market risk	Ps. 2,639	Ps. 3,237
Assets at credit risk	11,805	10,575
Assets at operational risk	1,625	1,195
Total assets at risk	Ps.16,069	Ps.15,007
Net capital	Ps. 2,090	Ps. 2,249
Index on assets subject to credit risk	17.71%	21.28%
Index on total assets subject to risk	13.05%	14.99%

The Bank's net capital requirement for its exposure to credit risk must have a minimum capitalization index of 8%, which is the result of applying factors to the assets as established by the Law, in order to obtain a weighted assets amount.

The net capital is determined decreasing from the stockholders' equity the amounts corresponding to equity investments and other intangible assets, plus the general allowance for loan losses determined as an amount not exceeding 1.25% of the weighted assets subject to credit risk, and the subordinated debentures capped to basic capital, as shown below:

	December 31,	
	2011	2010
Stockholders' equity	Ps. 1,389	Ps. 1,302
Subordinated debentures instruments issued	127	147
Equity investments	(1)	-
Other deferred assets	(470)	(324)
Basic capital	1,045	1,125
Subordinated debentures capped to basic capital	1,045	1,089
General allowance for loan losses portfolio	-	36
Complementary capital	Ps. 1,045	Ps. 1,125
Net capital	Ps. 2,090	Ps. 2,250

In 2004, the Commission issued general rules for rating multiple banking institutions on the basis of their capitalization indexes (categories I to V, with I being the best and V the worst) and, when pertinent, applying the necessary corrective measures to guarantee a proper capital amount that will allow for facing solvency problems experience by this type of institution. At December 31, 2011 and 2010, the Bank was classified in Category I.

Multiple banking institutions will be notified by the Commission of their rating with respect to their categories, as well as of the corresponding minimum corrective measures and/or special additional measures.

In that regard, the minimum corrective measures include issuing reports to the Board of Directors of those institutions, the prohibition against entering into operations that can reduce the Bank's capitalization index, the preparation and presentation of a plan for the restoration of capital, the suspension of dividend payments to the stockholders and of the payment of compensations and bonuses to employees and officers, and obtaining authorization from the Commission for opening new branches or purchasing assets, among others.

Special additional corrective measures could be applied by the Commission in addition to minimum corrective measures, which, depending on the category, could include from the requirement to issue more detailed reports to the board of directors of those institutions and the Commission, and contracting special auditors to deal with specific questions with external auditors authorized by the Commission, to the replacement of officers, directors, statutory auditors and auditors, the modification of interest rate policies and withdrawal of the multiple banking institution's operating permit.

b. Market risk

The capital required for the position of assets at market risk at December 31, 2011 and 2010 is as follows:

	Weighted assets		Capital required	
	2011	2010	2011	2010
Pertaining to operations in:				
Mexican pesos with nominal rate	Ps.1,741	Ps.2,165	Ps.140	Ps.173
Mexican pesos with spread	689	610	55	48
Mexican pesos with real rate or in UDI	51	20	4	2
Foreign currency with nominal rate	104	328	8	26
Positions in UDI or yield tied to the NCPI	2	1	-	-
Positions in foreign currency or return at exchange rates	52	113	4	10
	Ps.2,639	Ps.3,237	Ps.211	Ps.259

c. Credit risk

Following is a breakdown of weighted assets subject to credit risk:

	December 31,			
	2011		2010	
	Weighted assets	Capital required	Weighted assets	Capital required
Group III (weighted at 20%)	Ps. 587	Ps. 47	Ps. 425	Ps. 34
Group III (weighted at 50%)			150	12
Group III (weighted at 150%)			262	21
Group IV (weighted at 20%)	350	28	262	21
Group V (weighted at 20%)	200	16	587	47
Group V (weighted at 50%)	825	66	700	56
Group VI (weighted at 50%)	150	12	125	10
Group VI (weighted at 75%)	225	18	188	15
Group VI (weighted at 100%)	237	19	225	18
Group VII (weighted at 20%)	212	17	-	-
Group VII (weighted at 50%)	25	2	-	-
Group VII (weighted at 100%)	425	34	338	27
Group VII (weighted at 150%)	12	1	-	-
Group VIII (weighted at 125%)	762	61	538	43
Group IX (weighted at 100%)	7,175	574	6,425	514
Other assets (weighted at 100%)	620	50	350	28
Total credit risk	11,805	945	10,575	846
Operational risk	1,625	130	1,195	96
Total market, credit and operational risk	Ps.16,069	Ps. 1,286	Ps.15,007	Ps. 1,201

d. Operational risk

In order to calculate the capital requirement from its exposure to the operational risk, the Bank uses the basic indicator approach. Under the basic indicator method, the Bank is required to cover the operational risk with a minimum capital equivalent to 15% of the average for the past years of its net annual positive income.

Net income is the result of the sum of net income by interests concepts plus other income linked to interest. This income does not include the following concepts: a) gains or losses realized from the sale of securities held to maturity; b) gains or losses realized from the sale of securities available for sale, and c) income before extraordinary items or exceptional.

The capital requirement for operational risk cannot be under five percent of the average for the past 36 months of the sum of the capital requirements for credit and market risks, or over 15% of that average. Assets subject to operating risk are determined by multiplying the capital requirement for the item by 12.5.

The capital required for the position of assets at operational risk at December 31, 2011 and 2010 is Ps.130, and Ps.95.60, respectively.

e. Evaluation of the sufficiency of capital

The Bank is classified in the category 1 according to the provisions of a general nature applicable to credit institutions, to have a capitalization index of 10%.

Capital adequacy is assessed by the Risk Department of the Bank though the revision of the index capitalization through continuous monitoring key risk indicators established by the rules of the Commission in order to identify and prevent potential capital shortfalls for the timely decisions that allow the establishment of measures to maintain sufficient and adequate capital.

Note 20 - Income tax and flat tax:

a. Income tax

In 2011, the Bank determined a tax loss of Ps.240, and during 2010 and 2009, tax profits of Ps.145 and Ps.48, respectively, exceeding that determined for flat tax purposes. Accounting results differ from tax results mainly due to items taxed or deducted over time differently than for accounting purposes, being the main effect, the recognition of the effects of inflation for tax purposes, as well as some items that are affecting either the accounting or the tax results.

On the basis of its financial and tax projections, the Bank determined that tax to be paid in the future would essentially be income tax, and has therefore recorded a deferred income tax.

A decree reforming the Income Tax Law was published on December 7, 2009. It established that the applicable income tax rate from 2010 to 2012 would be 30%, 29% for 2013 and 28% as from 2014 (income tax rate from 2009 was 28%). At December 31, 2011, deferred income tax was determined on the basis of the reversal expectations of temporary items at the rates currently in effect.

The 2011, 2010 and 2009 income tax provision is analyzed as follows:

	Year ended December 31,		
	2011	2010	2009
Income tax currently payable	Ps. -	Ps. 42	Ps. 13
Deferred income tax	(66)	(47)	-
Total provision	(Ps. 66)	(Ps. 5)	Ps. 13

The reconciliation between the rate incurred and the effective income tax rate is as follows:

	Year ended December 31,		
	2011	2010	2009
Net income before income tax	Ps.101	Ps. 210	Ps. 70
Legal income tax rate	30%	30%	28%
Income tax at legal rate	30	62	20
Plus (less): tax effect of the following permanent items:			
Nondeductible expenses	6	3	2
Other permanent items			
Annual adjustment for inflation	(1)	(31)	(1)
Plus (less): the effect of deferred taxes:			
Tax losses carry forward	(74)	-	-
Allowance for loan losses greater than 2.5%	-	(38)	-
Advanced payments	(24)	(1)	-
Other items	(3)	-	(6)
Effect in change of income tax rate	-	-	(2)
Income tax applied to income	(Ps. 66)	(Ps. 5)	Ps. 13
Effective income tax rate	-	-	19.60%

The main temporary differences at December 31, 2011 and 2010, for which deferred income tax was recorded, are analyzed as follows:

Commissions collected in advance	Ps. 52	Ps. 54
Value of foreclosed assets	53	37
Property, furniture and equipment	53	41
Allowance for loan losses and for doubtful accounts	69	103
Other temporary differences	80	32
Tax losses carry forward	247	-
Fair value measurement not deducted for tax purposes	16	17
Total	570	284
Applicable income tax rate	30%	30%
Deferred income tax asset - Net	Ps.171	Ps. 85

At December 31, 2011, the Bank has a tax loss carry forward of Ps.247 until 2021, generated mainly by the effect of the reversal of loan structuring fees received from states and municipalities for Ps.237 as part of the accounting accommodation mentioned in Note 24 and that had been considered as taxable income in prior periods; there is also an effect of deductibility of the 2011 allowance for loan losses that exceed 2.5% of the portfolio average by Ps.43.

The recoverability of deferred tax assets was assessed by Management and the amount recognized is expected to be recovered based on Management's analyses.

The Bank recognized the deferred tax effects of the year either in the statement of income or in the stockholders' equity when arising from items whose effects are recognized directly in the stockholders' equity, such as effects of measurement of available for sale securities and derivative financial instruments, and in 2011 the effects of the accounting accommodation (Note 24). Deferred income tax effects recognized directly in the stockholders' equity totaled Ps.20, Ps.3 and (Ps.11) in 2011, 2010 and 2009.

b. Flat tax

On October 1, 2007, the Flat Tax Law was issued and became effective as of January 1, 2008. This law requires individuals and corporations residing in Mexico to pay this tax, as well as those residing abroad with a permanent establishment in Mexico.

Flat tax for 2011 and 2010 was calculated at the rate of 17.5% (17% in 2009) on profit determined on a cash flow basis. Said profit is determined by subtracting authorized deductions from total income arising from taxable operations. The so-called flat tax credits are subtracted from the foregoing result, as established in current legislation.

Under the current tax legislation, the Bank is required to pay the greater of income tax and flat tax on an annual basis. At December 31, 2011, the Bank incurred flat tax of Ps.68, which was reduced with credits that the Bank had on flat taxes. The flat tax base after this calculation was zero.

Note 21 - IPAB:

The Bank Savings Protection Law went into effect on January 20, 1999, as part of the measures adopted by the federal government to deal with the economic crisis arising in late 1994. The Law provides for the creation of the Institute for the IPAB to replace the Bank Savings Protection Fund.

The purpose of the IPAB is to apply a series of preventive measures designed to avoid financial problems at banks and ensure compliance with bank obligations towards their depositors.

The IPAB administers the Bank Savings Protection System (SPAB, for its initials in Spanish), which was gradually restructured as per the transition guidelines established. The new SPAB, in effect as from 2005, comprises, among other changes, that protection of deposits from the general public amount to the equivalent of 400,000 UDI (approximately Ps.2 at December 31, 2011 and 2010), thus excluding interbank deposits and those payable to its stockholders and top bank officers, among others.

Fees paid to the IPAB in 2011, 2010 and 2009 totaled Ps.90, Ps.85 and Ps.57, respectively.

Note 22 - Contingencies and commitments:

Uncollectible loans

Currently, a number of legal proceedings are underway for the recovery of loans owed by customers in default. The Bank has recognized a reserve in this regard, in accordance with the methodology established by the Commission for the determination of the allowance for loan losses.

Tax related contingencies

On July 22, 2010, the Revenue Administration Service (SAT, by its initials in Spanish) notified the Bank, through statement number 900 06-03-2010-4515, of a tax debt corresponding to the year 2006.

Management filed the appeal 23941/10-17-06-1 at the Sixth Regional Metropolitan Federal Tax and Administrative Court against the resolution contained in statement 900 06 03-2010-11415 dated July 22, 2010, for the authorities to consider there are arguments of legal defense to obtain a favorable result in the litigious process.

On December 16, 2008, the SAT notified the Bank, through statement number 900 06-03-200-18658, of a tax debt in the amount of Ps.17, corresponding to 2004.

Management filed the appeal 5954/09-17-09-4 at the Ninth Regional Metropolitan Federal Tax and Administrative Court against the resolution contained in statement 900 06 03-2001865, dated December 16, 2008, for the authorities to consider there are strong arguments of legal defense to obtain a favorable result in the litigious process.

On June 25, 2008, the SAT notified the Bank, through statement number 900 06-03-200-11505, the requirement for an additional ESPS in the amount of Ps.5, corresponding to 1999.

Management filed the appeal 23231/-08-17-10-2 at the Tenth Regional Metropolitan Federal Tax and Administrative Court against the resolution contained in statement 900 06 03-2008-11505 dated June 25, 2008, for the authorities to consider there are arguments of legal defense to obtain a favorable result in the litigious process.

Note 23 - Information per segment:

Following is a breakdown of the main operations per business segment shown in the Bank's financial statements:

Balance sheet

	2011			
Item	Loan operations	Treasury and investment banking	Other	Total
Cash and due from banks	Ps. -	Ps. 2,663	Ps. -	Ps. 2,663
Investments in securities	-	20,311	-	20,311
Investments				
Adjustment from valuation of financial assets	-	158	-	158
Loan portfolio	13,391	-	-	13,391
Other assets	11	5	1,676	1,692
Total	Ps.13,402	Ps.23,137	Ps. 1,676	Ps.38,215
Deposits	Ps.20,866	Ps. -	Ps. -	Ps.20,866
Bank loans and loans from other entities.	3,485	-	-	3,485
Liabilities for repo operations	-	9,545	-	9,545
Derivatives	-	182	-	182
Outstanding subordinated debentures	-	1,424	-	1,424
Other liabilities	-	-	1,260	1,260
Deferred income	-	-	65	65
Total	Ps.24,351	Ps.11,151	Ps. 1,325	Ps.36,827

	2010			
Item	Loan operations	Treasury and investment banking	Other	Total
Cash and due from banks	Ps. -	Ps. 2,957	Ps. -	Ps. 2,957
Margin accounts	-	1	-	1
Investments in securities	-	17,470	-	17,470
Derivatives	-	2	-	2
Adjustment from valuation of financial assets	-	140	-	140
Loan portfolio	14,825	-	-	14,825
Other assets	8	2	1,236	1,246
Total	Ps.14,833	Ps.20,572	Ps. 1,236	Ps.36,641

	2010			
Item	Loan operations	Treasury and investment banking	Other	Total
Deposits	Ps.20,047	Ps. -	Ps. -	Ps.20,047
interbank loans and loans from other entities.	4,749	-	-	4,749
Liabilities for repo operations	-	8,150	-	8,150
Derivatives	-	148	-	148
Outstanding subordinated debentures	-	1,262	-	1,262
Other liabilities	-	-	940	940
Deferred income	-	-	43	43
Total	Ps.24,796	Ps. 9,560	Ps. 983	Ps.35,339

Statement of income

	2011			
Item	Loan operations	Treasury and investment banking	Other	Total
Interest income	Ps. 1,423	Ps. 1,131	Ps.-	Ps. 2,554
Interest expenses	(955)	(727)	-	(1,682)
Allowance for loan losses	(135)	-	-	(135)
Commissions and fees received	36	14	66	116
Commissions and fees paid	-	-	(49)	(49)
Brokerage fees	-	167	-	167
Other operating income	(11)	-	67	56
Total	Ps. 358	Ps. 585	Ps. 84	Ps. 1,027

	2010			
Item	Loan operations	Treasury and investment banking	Other	Total
Interest income	Ps. 1,466	Ps. 985	Ps.-	Ps. 2,451
Interest expenses	(923)	(625)	-	(1,548)
Allowance for loan losses	(284)	-	-	(284)
Commissions and fees received	30	-	76	106
Commissions and fees paid	-	-	(49)	(49)
Brokerage fees	-	(24)	-	(24)
Other operating income	284	-	-	284
Total	Ps. 573	Ps. 336	Ps. 27	Ps. 936

The segments used for the Bank's information per segments are:

Deposits and loans

Groups the accounting movements related to the credit, deposits on demand, term deposits, treasury promissory notes issued to fund loan portfolios, and loans from development banks to fund PYME loans (loans for the small and medium enterprises in Mexico) and also loans for government rural financial institutions such as Fideicomisos Instituidos en Relación con la Agricultura (FIRA, for its Spanish acronym) .

Treasury and investment banking

Groups the accounting movements resulting from treasury operations (investments in securities, subordinated debentures, repurchase agreements and derivatives). Also groups intermediation movements into investments in money desk and investment companies, and results of exchange operation.

Note 24 - Accounting accommodation authorized by the Commission:

Through statement number 100/012/2011 dated July 11, 2011, in conformity with the provisions of article 175 of the General Provisions Applicable to Credit Institutions (CUB for its acronym in Spanish) and in association with the corporate structuring process conducted to strengthen the operating and control framework of the Bank, the Commission authorized the Bank using accounting accommodation in relation to certain loan structuring fees and professional services rendered in previous years in connection to loans granted to states and municipalities.

The special accounting accommodation consisted of debiting directly in retained earnings an amount associated with loan structuring fees and professional services that had been recognized in the income statements during 2010 and 2009. This accounting accommodation implied debiting in retained earnings certain commissions on loan structuring and professional services performed by the Bank which had been previously recognized in the statement of income during 2010 and 2009, and presenting the corresponding amount within liabilities until earned under the criterion of the Commission. The net effect of this entry represented a charge to retained earnings during 2011 of Ps. 83 million. Starting in 2011, Bank's policies for recognizing such commissions and professional services were modified accordingly. As part of the accounting accommodation, the Commission allowed to reverse previously determined allowance for loan losses of Ps.131 associated with the loans granted to states and municipalities during 2010 and 2009, such allowance will not be recognized in subsequent periods.
As per the Commission, the following were considered to be the basis for the Accounting Criteria for the aforementioned concepts:

Loan structuring fees: in accordance with the provisions of MFRS A-5 "Basic elements of the financial statements" of the MFRS A series "General Framework" of MFRS, issued by the CINIF, related to criterion A-1 of Exhibit 33 of the CUB, considering that when these transactions were agreed upon between the parties, a virtually unavoidable commitment might have been present to reimburse amounts collected. Fees should be labeled as liability.

Fees related to the rendering of professional services: the resources received appear to be similar to loan origination commissions, and, therefore, the suggested treatment was to recognize the cash received as deferred income and recognize it in the income statement using the straight-line method over the life of the loan, as per criterion B-6 "Loan portfolio" of Exhibit 33 of the CUB.

The Commission authorized the following special accounting accommodation:

To recognize directly in retained earnings the effect of the differences between the amounts recognized in 2009 and 2010 for the abovementioned concepts and the amounts determined based on the Commission criteria without revising prior periods.

The following is the revised presentation for information purposes between the amounts reported in the statement of income during 2010 and 2009 and the amounts that would have been recognized in those years had the effects been applied retrospectively:

As reported:

Description	Accounts	2010	2009	Total
Loan structuring fees collected	Other operating income	167	28	195
Professional services collected	Other operating income	51	47	97
Loan loss reserve recognized	Allowance for loan losses	(131)	-	(131)
Deferred tax recognized	Deferred tax	(15)	(8)	(23)
	Net effect in statement of income	71	67	138

If presenting the effects retrospectively:

Description	Accounts	2010	2009	Total
Loan structuring fees collected	-	-	-	-
Professional services collected	Interest Income - Origination fees	28	27	55
Loan loss reserve	Allowance for loan losses	-	-	-
Deferred tax	Deferred tax	-	-	-
	Retrospective effect	28	27	55
	Net effect in the statement of income	43	40	83

The following is the revised presentation for information purposes between the amounts reported in the balance sheet during 2010 and 2009 and the amounts that would have been recognized in those years had the effects been applied retrospectively:

As reported:

Description	Accounts	2010	2009	Total
Assets:				
Cash received	Cash and due from banks	218	75	293
Associated allowance	Allowance for loan losses	(131)		(131)
Stockholders' equity:				
Effects in retained earnings	Retained earnings	71	67	138

If presenting the effects retrospectively:

Assets:				
Cash received	Cash and due from banks	218	75	293
Associated allowance	Allowance for loan losses	-	-	-
Liabilities:				
Loan structuring fees	Sundry creditors	167	28	195
Deferral of professional services	Deferred loans and advances	22	20	43
Stockholders' equity:				
Effects in retained earnings	Retained earnings	28	27	55

Note 25 - Memorandum accounts:

a. Loan commitments

At December 31, 2011, the Bank had commitments and guarantees to grant loans in the amount of Ps.78 (Ps.89 in 2010).

The allowance for loan losses recognized at December 31, 2011 and 2010, for letters of credit totaled Ps.20 and Ps.34, respectively, and is included in the allowance for loan losses caption.

b. Trust activity of the Bank

The trust activity recorded in this caption is analyzed at December 31, 2011 and 2010, as follows:

Type of trust	2011	2010
Administrative	Ps. 8,932	Ps. 10,017
Guarantee	21,686	13,946
Investment	7,909	1,156
Sub-total	38,527	25,119
Mandates	9	28
Total	Ps.38,536	Ps. 25,147

In "Administrative trusts" the bank receives as trustee goods and rights in order to perform the investments specified in the agreement.

In "Guarantee trusts", the bank receives as trustee certain goods and rights that are to be used in order to guarantee the compliance with obligations of the trustor.

In "Investment trusts", the bank is required to invest resources of the trustor in profitable transactions.

Income for the years ended December 31, 2011 and 2010 corresponding to trust activities totaled Ps.41 and Ps.37, respectively.

c. Assets under custody or under administration

This caption shows third party assets and securities received for custody or placed under administration: At December 31, 2011 and 2010, this caption is comprised as follows

	2011	2010
Securities under custody	Ps. 23,061	Ps. 17,363
Securities under administration	28	1,359
	Ps.23,089	Ps. 18,722

Income for the years ended December 31, 2011 and 2010 corresponding to custody and assets management activities totaled were close to zero.

d. Banking operations on behalf of third parties

Resources managed following the instructions of customers for the investment in different instruments of the Mexican financial system are recorded in this caption and at December 31, 2011 and 2010 are analyzed as shown below:

	2011	2010
Money market funds	Ps. 2,050	Ps. 1,746
Government securities	6,026	5,300
Shares and other	15,504	11,233
	Ps. 23,580	Ps. 18,279

In the event the resources are invested in the Bank's own instruments, the corresponding amount is included in the balance sheet.

Note 26 - Balances and transactions with related parties:

The main balances with related parties at December 31, 2011 and 2010 are shown below:

Receivable from:	2011	2010
Portfolio		
Mifel 3, S. A. de C. V., SOFOM, E. R. (Mifel 3)	Ps. -	Ps. 269
Mifel, S. A. de C. V., SOFOM, E. R. (Mifel)	55	-
Other debtors		
Operadora Mifel, S. A. de C. V. (Mutual fund management company)	1	1
Mifel	5	-
Group	-	-

Receivable from:	2011	2010
Other assets		
Mifel 3	-	-
Mifel	9	-
	Ps. 70	Ps. 270

Payable	2011	2010
Deposits		
Mifel	Ps. -	Ps. 12
Mifel 3	-	1
Group	1	-
Mutual Fund Management Company	-	-
Liabilities for repo operations		
Mifel	-	111
Group	4	5
Sundry creditors		
Mifel 3	-	54
Mifel	62	-
	Ps. 67	Ps. 183

The following operations were performed with related parties:

	Year ended December 31,		
	2011	2010	2009
Income:			
Interest earned from portfolio			
Mifel 3	. -	Ps. 30	Ps. 30
Mifel	Ps 17	-	-
Commissions charged			
Mifel	-	-	-
Mutual Fund Management Company	6	2	2
Other products			
Mifel	20	20	20
Mifel 3	10	10	10
Mutual Fund Management Company	1	1	1
	Ps. 54	Ps. 63	Ps. 63

	Year ended December 31,		
	2011	2010	2009
Expenses:			
Interest paid			
Mifel	Ps. 2	Ps. 5	Ps. 5
Group	-	-	-
Mifel 3	-	-	1
Other expenses			
Mifel 3	-	7	1
Mifel	11	-	
Administration expenses			
Group	3	4	3
	Ps. 16	Ps. 16	Ps. 10.

Note 27 - Additional information on the statement of income:

Financial margin

a. Interest income

This item is composed as follows:

	Year ended December 31,		
	2011	2010	2009
Cash and due from banks	Ps. 49	Ps. 34	Ps. 45
Investments in debt securities	527	368	207
Repurchase and security-loan operations	555	518	666
Loan portfolio	1,285	1,398	989
Origination fees	138	68	40
Other (including net gain in valuation of margin accounts)	-	65	3
	Ps. 2,554	Ps. 2,451	Ps. 1,950

Interest income includes Ps.24, Ps.23 and Ps.61 arising from operations conducted in foreign currency for the years ended December 31, 2011, 2010 and 2009, respectively.

b. Interest expenses

This item is composed as follows:

	Year ended December 31,		
	2011	2010	2009
Demand deposits	Ps. 136	Ps. 98	Ps. 88
Time deposits	615	538	312
Bank bonds	1	1	1
Interbank loans and loans from other entities	204	287	247
Subordinated debentures	144	146	156
Interest on repurchase operations	517	476	623
Discounts on placement of debt	2	2	2
Other (including net loss in valuation of margin accounts)	63	-	-
	Ps. 1,682	Ps. 1,548	Ps. 1,429

Interest expenses include Ps.159, Ps.164 and Ps.175 in foreign currency for 2011, 2010 and 2009.

c. Interest and commissions per type of loan

This item is composed as follows:

	Year ended December 31,					
	2011		2010		2009	
	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing
Commercial loans	Ps. 889	Ps. 15	Ps. 872	Ps. 15	Ps. 693	Ps. 14
Loans to financial entities	56	-	57	-	55	-
Loans to government entities	371	-	441	-	16	-
Consumer	23	1	20	1	68	-
mortgage loan portfolio	90	9	78	5	199	2
	Ps. 1,429	Ps. 25	Ps. 1,468	Ps. 21	Ps. 1,031	Ps. 16.

d. Net gain or loss in brokerage operations

This caption is comprised as shown below:

	Year ended December 31,		
	2011	2010	2009
Valuation gain (loss):			
Trading securities	Ps. 6	(Ps. 9)	Ps. -
Trading derivatives	4	(1)	-
Hedge derivatives	(11)	(15)	11
Foreign currency	58	(63)	-
Minted metals	-	-	1
Total valuation gain (loss)	57	(88)	12
Gain or loss from purchase/sale:			
Trading securities	47	28	20
Securities available for sale	-	-	4
Premium in debt securities	-	(2)	(6)
Trading derivatives	(29)	(4)	2
Hedge derivatives	(11)	(6)	5
Foreign currency	103	48	29
Total gain or loss from purchase/sale	110	64	54
Total gain (loss) in brokerage operations	Ps.167	(Ps. 24)	Ps. 66

e. Other operating income (expenses)

This caption is comprised as shown below:

	Year ended December 31,		
	2011	2010	2009
Donations	(Ps. 1)	Ps. -	Ps. -
Result on sale of court-foreclosed assets	-	-	-
Permanent investment dividends	-	1	-
Reserve for impairment of foreclosed goods	(1)	(1)	-
Sale of real estate, securities and foreclosed	1	-	-
Recovery of expenses	-	1	1
Cancellation provisions and sundry creditors	2	2	6
Sundry creditors	105	111	99
Income from insurance operation	6	-	-
Other income	17	15	28
(Expenses) income from loan structuring	(56)	163	28
Several losses	(11)	(6)	(5)
Allowance for doubtful accounts	(6)	(2)	(6)
Total other operating income (expenses)	Ps. 56	Ps. 284	Ps. 151

Note 28 - Responsibilities agreement:

The Bank maintains a responsibilities agreement under which Grupo Financiero Mifel is to respond unlimitedly in the event of noncompliance on the part of its subsidiaries with obligations, as well as with regard to possible losses, as per the requirements of the Law to Regulate Financial Groups.

Under said agreement:

- Grupo Financiero Mifel is jointly liable with respect to compliance with the obligations of the Bank and the other financial entities that comprise the Bank, corresponding to the activities that, in accordance with the applicable provisions, correspond to each with respect to those contracted by said entities prior to their integration to the Group.

- Grupo Financiero Mifel unlimitedly responds for the losses of each and all of said entities. In the event the controlling company's net worth is insufficient to effect the responsibilities arising simultaneously with respect to the Group's financial entities, said responsibilities are covered, in the first term, with respect to the Bank, and subsequently prorated with respect to the Group's other entities up until the controlling company equity is exhausted.

  Said responsibilities are expressly stated in the bylaws of Grupo Financiero Mifel.

Note 29 - Risk management (unaudited information):

The following note contains a description provided by the Bank' Risk Management Director's Office based on established policies, which is included for analysis purposes and has not been audited.

I. Qualitative information

The purpose of the comprehensive management process is to identify and measure the risks, follow up on their impact on the operation and control their effect on earnings and the value of capital, through applying risk mitigation strategies and integrating the risk culture in daily operations.

Compliance with the provisions issued by Banxico, the Commission and the guidelines established internally, the Bank has instrumented measures for strengthening the comprehensive risk management process. In assessing risk the Bank identifies its exposure to credit, liquidity, market and other risks, measures the impact, performs follow up procedures, and also ensures compliance with laws, regulations and other legal matters.

The Bank has implemented sound risk management practices supervised by the appropriate levels of qualified employees consistent with the best practices set out at an international level.

The Bank's main objective is to optimize its market share, through quality of customer service and maximizing profits. The main objective of the Finance Administration of the bank is to maximize profitability through managing its risks. In order to contribute to reaching this objective, the Comprehensive Risk Management Unit (CRMU) is in charge of:

- Identifying risks and stockholders' expected return.
- Evaluating the current combination of risks-return of the business units.
- Promoting the consistency between the target return and relating risks and the combination of risks and yield observed.

In order to accomplish this, the Bank ensures that the following is established:

- Definition of duties and responsibilities of the areas, organs and personnel in charge of the CRMU. In this process, autonomy of the CRMU with respect to the business areas must be ensured.
- Development of the models to estimate those discretionary and non-discretionary risks that are quantifiable, taking into account, for all relevant purposes, those quantifiable.
- Determination of the global and specific limits of exposure to the discretionary risk of the business units, development of policies and procedures for management thereof and determination of the level of tolerance to non-discretionary risk.
- Establishment of procedures for disclosure, monitoring, evaluating and reviewing risk limits.
- Conducting the activities whose risk levels are in line with the operating capability and capital sufficiency and ensuring compliance with the provisions established by the authorities.

- Addressing the guidelines to be implemented for identifying, measuring, monitoring, limiting, controlling and disclosing the different market, credit, liquidity and operating risks to which the Bank is exposed in its daily activities.

- Promoting the risk management culture.

- Instrumentation, diffusion and proper application of policies and procedures manuals on the matter.

Risk Committee

For comprehensive risk management purposes, the Board of Directors approved the creation of the Risk Committee, defined the objectives and approved the Bank's risk exposure limits. In order to avoid a conflict of interests and to ensure proper separation of responsibilities, Risk Management is independent of the other business units.

Further to the regulatory provisions, in order to secure opinions that are independent from Bank Management's, the Risk Committee is comprised of two external members, one of which acts as chairman thereof. The members of this committee are: The Bank's General Director, the Risk directors and the Internal Audit executive, who is a non-voting member. In addition, the executive director of Credit Analysis and Portfolio Supervision, the Treasury director, the Money Market director, the Legal executive director, the Technology DGA and the executive director of controlling, have non-voting participation.

The Risk Committee met monthly, reporting to the Board of Directors quarterly on the general state of risks: market, liquidity and credit, as well as operational risk.

Risk Management

The Risk Managers Officers, with responsibility over the Financial Group, have the following duties:

- Identify and measure the financial risks, overseeing that risk management is in accordance with the policies and procedures authorized by the Board of Directors; as well as with the applicable regulatory provisions.

- Report to the Risk Committee and to the General Director on:

  - Exposure to global risk and to the specific risk to which each business unit is exposed. These reports include a sensitivity analysis of the position in the face of changes in risk factors and the impact on the Bank's financial situation, in the event these risk factors show extreme conditions.

  - Departures from the limits established and the proposal of corrective actions, after the investigation and documentation of the underlying causes reporting its conclusions to the Board of Directors.

  - Capitalization levels in terms of credit and market risk, and if the levels are consistent with the applicable provisions.

  - The main components of the methodologies used in the market, liquidity, credit and operational CRMU.

Discretionary risks

In order to measure and control risks, the CRMU bases its work mainly on the following parameters:

Market risk

a. Determination of risk units.
b. Portfolios.
c. Positions.
d. Risk factors.
e. Limits.
f. Determination of sensitivity and stress scenarios.
g. Backtesting.

Liquidity risk

a. Main assets.
b. Liability diversification.
c. Main sources of funding.
d. Gaps at maturity.
e. Gaps at repricing.
f. Determination of sensitivity and stress scenarios.

Credit risk

a. Determination of risk units.
b. Portfolios.
c. Positions.
d. Likelihood of noncompliance
e. Diversification.
f. Percentage of recovery.
g. Concentration.
h. Expected and unexpected loss.
i. Determination of sensitivity and stress scenarios.

Non-discretionary risks

Operational risk

a. Assigning of banking activities to the business lines specified by Basel II required by the Commission.
b. Identification of process-related risks and controls.
c. Assigning of banking activities to the lines of business set out by Basel II.
d. Quarterly recording and reporting on loss events in the database.
e. Induction course for newly hired personnel on the importance of proper risk management, thus encouraging a culture of prevention.
f. Establishing actions by the different areas to prevent recidivism of risks leading to losses for the Bank.

Technological risk

The Bank has based its assessment of technological risk on a quarterly review of progress made with respect to vulnerability, controls, policies, security, etc. This applies to the different technological components of hardware, software, networks, processes, security, etc., through the different electronic channels, such as: Branches, telebanking, automatic teller machines and e-banking.

Legal risk

The legal risk is evaluated quarterly, through an estimate of the loss expected of the litigious past-due portfolio and follow up on the administrative resolutions, for which the following actions are taken:

a. Policies and procedures were established so as to analyze their legal validity prior to legal proceedings being filed, and to procure proper legal instrumentation thereof, including the formalization of the guarantees involved.

b. The potential losses arising from adverse legal and administrative resolutions is estimated, as well as possible application of sanctions, in connection with the operations conducted. Said estimate includes the litigation to which the Bank is a party, as well as the administrative procedures in which it participates.

c. An analysis is conducted of the Bank's acts when governed by a legal system other than the Mexican system, and the existing differences between the system in question and the Mexican system are evaluated.

d. The legal and administrative provisions applicable to the Bank's operations are made known to the directors and employees.

e. Legal audits are conducted annually.

f. A historical database is kept on legal and administrative resolutions, the underlying causes and costs, verifying that those resulting in events of loss for the Bank are included in said database.

Unquantifiable risks

For all unforeseen events, for which no statistical base can be created that would allow for measuring potential losses, the Bank has developed the methodology criteria to start gathering information of this nature and take preventive measures according to each classification obtained.

Methodology used for risk management.

Market risk

For the market risk reserve, the historical simulation method is used. This method consists of generating scenarios of risk factors (interest rate, exchange rate, prices, etc.) on the basis of their behavior, observing a determined number of days. Estimation of the VaR consists of the following phases:

- A historical series is created of the risk factor (RF).

- The series of yields is set up, that is to say, daily logarithmic variations of the RF are estimated.

- The alternative series of the risk factor is estimated. For these purposes, the value of the variations calculated is added to the current value of the RF.

- The portfolio is revalued with each of the values estimated for the RF.

- The portfolio's earnings and losses are calculated. They are obtained from the difference between the portfolio value estimated with each of the scenarios and the value of the portfolio value in effect at the valuation date.

- The results of the portfolio are arranged from the highest losses to the greatest earnings, and the VaR is calculated on the basis of the confidence level (e.g. percentile) chosen.

Calculation parameters

- Number of days: 250.
- Reliability level: 95%.
- Investment horizon: 1 day.
- Type of weighting: Same weight.
- Volatility model: Exponentially weighted moving percentages.

Backtesting

In order to test the effectiveness of the model, monthly backtesting was conducted, to verify whether or not the VaR model is adequate, and if not, make the necessary adjustments to the parameters established.

Sensitivity and stress tests

Stress analysis is a complement to VaR, as a portfolio's VaR is estimated under market conditions that are not considered normal, and consists of valuing the portfolio, taking into account high magnitude impacts on the level of the risk factors.

The scenarios under which stress tests are generated are considered as sensitivity and hypothetical. In the former case, moderate changes are made to the different risk factors, such as: interest rates, exchange rates and prices, and in the latter case, assumptions are made on the possible values of risk factors should an entirely unforeseen situation occur, of which there are no precedent.

Credit risk

For the credit risk estimation, a Credit Risk + model is used to obtain the expected and unexpected loss. The expected loss represents the exposure arising from the likelihood of bankruptcy, as the unexpected loss simulates the capital required to cover an unexpected variation in the value of the portfolio.

Backtesting

To test the effectiveness of the model, the methodology used involves comparing the unexpected loss pertaining to the prior portfolio to the unexpected loss of the same portfolio, but this time, taking the

likelihood of bankruptcy and percentage of recovery for the following month as the basis. The comparison of the calculation of these expected tests must have a proper ratio**.**

Sensitivity and stress tests

The sensitivity and stress analysis of the loan portfolio is conducted modifying the original portfolio's ratings, reducing them one degree for sensitivity and two degrees for stress.

Liquidity risk

For the estimation of the liquidity risk, the Asset & Liability Management model is used, which compares the cash flows of asset and liability positions. This estimation is carried out at both repreciation and maturity.

Sensitivity and stress tests

The sensitivity and stress analysis of liquidity is carried out modifying the variables of asset and liability positions in the following scenarios:

- Estimation of the potential loss in light of the impossibility of renewing liabilities or of contracting others in normal conditions, writing off the rates at 50 base points.

- Estimation of the potential loss on advance or forced sales of assets, implying unusual discounts, charging off the rate 200 base points.

Non discretionary risk

Operational risk

For operational risk management, the following procedure is followed:

1. Analysis of current procedures, identifying risks and controls through the matrixes designed for this purpose.

2. Identification of risks and controls in new processes through operational risk matrixes and controls.

3. Feedback to owners of the processes on the risks and controls identified, as well as questioning of activities within or not the process and that could lead to materialization of a risk.

4. Issuance and presentation to the Risk Committee of reports and operational risk analyses.

With respect to real losses:

1. Identification of losses in accounting records.

2. Request and analysis of support.

3. Recording of events in databases of real losses.

4. Issuance and presentation to the Risk Committee of reports and real loss analyses.

Legal risk

The legal risk is evaluated quarterly, through an estimate of the loss expected of the litigious past-due portfolio, analyze their legal validity prior to legal proceedings being filed and procure proper legal instrumentation thereof. The current internal operating regulation is made known to the directors and employees.

A historical database is kept on legal and administrative resolutions, the underlying causes and costs, verifying that those resulting in events of loss for the Bank are included in said database.

Technological risk

Technological risk management should be based on plans and programs for security of the components that:

1. Allow for comprehensive control of the information.

2. Ensure the quality and confidentiality in transferring information.

3. Perform an on-going assessment of possible vulnerabilities.

4. Design the reaction measures in the event of contingencies, to allow for business continuity

5. Constantly assess the quality of the services received from technology vendors.

6. Guard accesses to commitment sites.

Unquantifiable risks

Unquantifiable risks are managed through the following procedure:

1. Creation of the "Unquantifiable Risk Identification Table" that groups the different types of disasters that could affect the Bank (whether natural or attributable to external entities), as well as possible impacts and the measures to be taken in each case.

2. Recording and monitoring events occurred.

3. Estimation of the possible economic impact of these events.

4. Disclosure of events manifested, as well as of measures taken to mitigate the situation.

Quantitative information (figures stated in thousands of pesos)

a. Market risk

At December 31, 2010, the VaR of the global portfolio is comprised as follows.

	December 31, 2011			
Risks	Market Risk	Global capital (%)	Credit risk	Global risk (%)
At December 31	Ps.1,013	.07	Ps.49,165	3.53
Fourth quarter average	Ps.1,388	.10	Ps.48,669	3.49
2011 average	Ps.3,033	.22	Ps.46,075	3.31

Average values of market risk exposure of portfolio at the fourth quarter of 2011:

Portfolio	Average VaR	Observe VaR	VaR limit
Money market	Ps.632	Ps.613	Ps.4,900
Foreign exchange market	Ps.999	Ps.479	Ps.6,200
Treasury MxP	Ps.212	Ps.248	Ps.1,200
Treasury USD	Ps.587	Ps.636	Ps.1,900

Quantitative information on sensitivities per portfolio (thousands of pesos):

Stress tests consist of revaluing the current position, using the shift of curves and/or exchange rates, according to the stress scenarios authorized by the Risk Committee. The amount of the position revalued is compared to its current value, thus obtaining the profit or loss (P&L) for the effect of the changes on risk factors.

b. Liquidity risk

The liquidity risk presented below is the negative Gap shown by the Bank at December 31, 2011 and its liquidity requirement at three days.

Portfolio	Liquidity gap
Repricing	(Ps. 2,389)
Maturity (Mexican pesos)	(Ps. 11,817)
Trust certificates at maturity	Ps. 36
Dollars	Ps. 49

c. Counterparty risk rating

At present, Banca Mifel has two ratings granted by recognized rating institutions in the market.

On June 2, 2011, Standard & Poor's confirmed the counterparty risk rating on a long-term global scale of BB- and short term of 'B' and on a national scale for long term of mxBBB+ and short term of mxA-2

Additionally, on August 19, 2011, Fitch Ratings ratified the ratings on a national scale for long term of A-(mex) and on a short term national scale of F2(mex), specifying a stable perspective in long-term ratings.

d. Operational risk

The database of real loss events during the period was as follows:

At December 31, 2011 and 2010, there were 137 and 161 operational losses, respectively, corresponding to an aggregate of Ps. 10,450 and Ps. 1,011, in 2011 and 2010, respectively.

Note 30 - New accounting pronouncements:

During December 2011, the CINIF issued the document Improvements to MFRS 2012 (Improvements 2012), the MFR B-3 "Comprehensive income statement" and B-4 "Statement of changes in stockholders' equity". The MFRS' B-3 and B-4 will become effective as of January 1, 2013 and Improvements 2012 along with the provision of MFRS C-6 "Property, plant and equipment" related to the determination of the property, plant and equipment components became effective as of January 1, 2012. These MFRS and Accounting Criteria are not considered to substantially impact the financial information presented by the Bank, as explained as follows:

Criterion B-6: the principal changes are as follows: i) broadens the definition of the expiration periods for considering loans as past-due, ii) emphasizes changes for determining whether or not a restructured or renewed loan can remain in the current portfolio, and if so, the requirements a restructured or renewed loan must meet to classify as current portfolio prior to classification as past-due.

MFRS B-3 "Comprehensive income statement": establishes the entity's choice of presenting the comprehensive income either in one or two statements. Also, specifies that other comprehensive results (ORI by its Spanish acronym) should be presented after the net profit or loss, it removes the concept of no-ordinary items and establishes the requirements that other income and expenses should have to be considered as such.

The MFRS B-4 "Statement of changes in stockholders' equity": establishes the standards for the presentation of the aforementioned statement as well as the required disclosures in the event some stockholders' equity movements take place.

MFRS C-6 "Property, plant and equipment": besides changes that were effective in 2011, it establishes that it is mandatory to determine the components representative of property, plant and equipment with the purpose that as of January 1, 2012, the components of a property, plant and equipment are depreciated in accordance to the useful lives of each component and not using a unique useful life for the entire asset.

Improvements to existing MFRS, effective in 2012:

- MFRS A-7 “Presentation and disclosure”. It specifies that the key assumptions used at balance sheet date should be disclosed in the determination of the accounting estimations involving uncertainties with the risk of significant adjustments in the value of assets or liabilities within the next accounting period.

- B-14 “Earnings per share”. is modified to require the disclosure of earnings per diluted share, irrespectively of having generated profit or loss from continuing operations.

- MFRS C-1 “Cash and cash equivalents”. It establishes that the short-term asset should include cash and cash equivalents, unless it usage is restricted to the following twelve months or after its normal business cycle at the date of the financial position statement.

- Statement C-15 “Impairment in the long-lived assets value and their disposal”. It specifies different concepts of long-lived assets intended to be sold; also it points that impairment losses in goodwill should not be reversed and establishes the guidelines for the presentation of impairment losses or reversal within the statement of income.

- MFRS D-3 “Employees’ benefits”. It establishes that the expense for employees’ profit sharing should be recognized in the same items as costs and expenses in which the entity recognizes the remaining employees' benefits.

Annex A

SUMMARY OF CERTAIN DIFFERENCES BETWEEN MEXICAN BANKING GAAP APPLICABLE TO FINANCIAL INSTITUTIONS AND U.S. GAAP

Mexican financial institutions prepare their financial statements in accordance with Mexican Banking Generally Accepted Accounting Principles ("Mexican Banking GAAP") as prescribed by the CNBV. Mexican Banking GAAP encompasses general accounting rules for banks issued by the CNBV and Mexican Financial Reporting Standards ("MFRS") prescribed by the CINIF to the extent that the aforementioned accounting standards do not address or supersede the accounting to be followed. Mexican Banking GAAP differs in certain significant respects from U.S. GAAP. Such differences might be material to the financial information contained in this offering memorandum. A summary of the significant differences is presented below. We have made no attempt to identify or quantify the impact of those differences. In making an investment decision investors must rely upon their own examination of Banca Mifel, the terms of this offering memorandum and the financial information contained herein. Potential investors should consult their own professional advisors for an understanding of the differences between Mexican Banking GAAP and U.S. GAAP, and how those differences might affect the financial information contained herein.

This summary should not be taken as exhaustive of all differences between Mexican Banking GAAP and U.S. GAAP. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in the Financial Statements, including the notes thereto.

Allowance for loan losses:

The allowance for loan losses is determined based on the methodologies determined by the CNBV which differs from requirements of MFRS and U.S. GAAP.

On October 25, 2010 the SHCP published a resolution amending the General Rules for Banks for credit reserves allowance, changing the model of provisioning based on an incurred loss to an expected loss model, which will enter into force on March 1, 2011, regarding the loan portfolios of mortgage and consumer portfolio as shown as follows:

a. Portfolio Consumer Credit Rating – Require the separation of the consumer portfolio into two groups: a) holding non-revolving consumer credit, and b) operations loan portfolio by credit card and other revolving credit.

- For consumer non-revolving loan portfolios provides that the allowance for loan losses is based on the estimated probability of default, loss severity and exposure of the breach; considered for the calculation of the estimate of balances for the last day of each month, regardless of credit payment scheme. This new methodology considers the following factors for determining: i) the amount payable, ii) payment made, iii) days late, iv) total term, v) remaining term, vi) the original loan amount, vii) the original value of the property viii) outstanding credit and ix) the type of credit. Additionally, when revolving consumer credit have guarantees, the cover and exposed parts must be separated, whereas if cash collateral and/or liquid collateral assignment in the severity of the loss of 10% to the exposed part and in case mortgage collaterals may be assigned a severity of the loss of 60% to the exposed part.

- In relation to the loan portfolio and operations related with other revolving credit the methodology for determining the allowance for loan losses relating to credits related to credit cards is established, which came into force in 2009, described above.

b. Rating housing mortgage portfolio - the allowance for loan losses based on the estimated probability of default, loss severity and exposure at default is established; considering for the calculation

of the estimated balances the last day of each month. This new methodology considers the following factors for determining: i) the amount payable, ii) payment made, iii) value of the property, iv) outstanding credit, v) days late, vi) name of the credit, and vii) integration of record. To determine the severity of the loss, the component of credit recovery rate will be used, which is affected if the loan has collateral trust or under a court classified by region to the states belonging to such courts. The initial effect of the change in the amount of reserves had to be recognized in the figures of March 31, 2011.

On October 5, 2011, the CNBV published a resolution that modifies the general dispositions for financial institutions modifying the methodology for rating the commercial portfolio granted to states and municipalities, whereby the rating and creation of reserves is conducted on the basis of an expected loss model under which losses for the following 12 months are estimated based on the credit severity of the loss and exposure to default, classifies this portfolio into different groups and foresees different variables for estimating the likelihood of default. Financial institutions had the option to apply this change in the third or fourth quarter of 2011. The Bank adopted the change using the September 30, 2011 figures.

Under Mexican Banking GAAP, loans may be written-off when collection efforts have been exhausted or when they have been fully provisioned. On the other hand for U.S. GAAP, loans (or portions of particular loans) should be written-off in the period that they are deemed uncollectible.

The U.S. GAAP methodology for recognition of loan losses is provided by the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 450 *Contingencies* (previously Statement of Financial Accounting Standard ("SFAS") No. 5, "Accounting for Contingencies") and ASC 310 *Receivables* (previously SFAS No. 114, "Accounting by Creditors for Impairment of a Loan") which establish that an estimated loss should be accrued when, based on information available prior to the issuance of the financial statements, it is probable that a loan has been impaired at the date of the financial statements and the amount of the loss can be reasonably estimated.

For larger non-homogeneous loans, all individual loans should be assessed for impairment under ASC 310 (except for large groups of smaller-balance homogeneous loans which are collectively evaluated for impairment). Specific provisions are calculated when it is determined that it is probable that the bank will not recover the full contractual principal and interest on a loan (impaired loan), in accordance with the original contractual terms.

Under U.S. GAAP estimated losses on impaired loans that are individually assessed are required to be measured at the present value of expected future cash flows discounted at the loan's effective rate, the loan's observable market price or at the fair value of the collateral if the loan is collateral dependent.

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, historical loss ratios are determined by analyzing historical loss trends. These ratios are determined by loan type to obtain loss estimates for homogeneous groups of clients. Such historical loss ratios are updated to incorporate the most recent data reflective of current economic conditions, in conjunction with industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information. These updated ratios serve as the basis for estimating the allowance for loan losses for such smaller-balance impaired loans and non-impaired loans.

Discontinuance of recognition of interest income

Under Mexican Banking GAAP, once a loan is considered non-performing following the criterion of the CNBV, accrual of interest is suspended and is recorded in memorandum accounts. Under U.S. GAAP, the accrual of interest is generally discontinued when, in the opinion of management, it is expected that the borrower will not be able to fully pay its principal and interest. Generally this occurs when loans are 90 days or more past due. Any accrued but uncollected interest is reversed against interest income at that time.

Foreclosed Assets

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

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

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

Investment Valuation

Similarly to U.S. GAAP, under Mexican Banking GAAP investments are classified into the following categories:

- Trading securities are defined as those in which management invests to obtain gains from short-term price fluctuations. The unrealized gains or losses resulting from the mark-to-market of these investments are recognized in the statement of income for the period.

- Available-for-sale securities are those in which management invests to obtain medium-term earnings. The unrealized gains or losses resulting from the mark-to-market of these investments, net of deferred taxes and inflation, is recognized in stockholders' equity.

- Held-to-maturity investments are those instruments in which management invests with the intention of holding them until maturity and are recorded at amortized cost.

Transfers between categories:

- In accordance with the criterion B-2 "Investments in Securities" issued by the CNBV on the October 28, 2009, any sale of securities recorded as held to maturity should be reported to the CNBV. Likewise, reclassifications from the categories "trading securities" and "available for sale securities" to the category "securities held to maturity" or from "trading securities" to "available for sale" are permitted only with the express permission of the CNBV. In addition, reclassification from the category "securities held to maturity" to "securities available for sale" is permitted only when there is no longer the intention or ability to hold those securities to maturity.

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

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

For U.S. GAAP under ASC 320 Investments—Debt and Equity Securities (previously SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities"):debt securities must be classified, according to management's intent and ability to hold the security, within one of the following categories: held-to-maturity, trading, or available-for-sale.

Non-marketable equity securities are valued at cost, less a provision for other-than-temporary diminution in value.

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

Under U.S. GAAP, if there is a decline in carrying amount of an available-for-sale or held-to-maturity security below its fair value, it is judged to be other-than-temporary, the cost basis of the individual security is written down to its fair value and the amount of the write-down is recorded as a charge to income except as required by ASC 320-10-35, when other-than-temporary impairments might be recognized separately in other comprehensive income. For instance, if a credit loss exists (because the present value of cash flows expected to be collected is less than the amortized cost basis of the impaired security), but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other than temporary and should be separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors (social factors, changes in technology, etc). Only the estimated credit loss amount (i.e., present value of cash flows expected to be collected less amortized cost basis of the security) is recognized currently in earnings, with the remainder of the loss amount recognized in other comprehensive income. The new written down value of the security forms the new cost basis of the security. An impairment loss cannot be reversed if conditions improve.

For Mexican Banking GAAP purposes, any foreign currency effects on Available–For-Sale ("AFS") debt securities are reported in earnings. However, under U.S. GAAP and per ASC 320-10-35 (*Fair Value Changes of Foreign-Currency-Denominated Available-for-Sale Debt Securities* paragraphs 36-37) (formerly EITF 96-15 "Accounting for the Effects of Changes in Foreign Currency Exchange Rates on Foreign-Currency-Denominated Available-for-Sale Debt Securities,") the entire change in the fair value of foreign-currency-denominated AFS debt securities should be reported in stockholders' equity. This fair value serves as the basis under which other-than-temporary impairment is considered.

Fair Value of Financial Instruments

Mexican Banking GAAP defines fair value as the amount an interested and informed market participant would be willing to exchange for the purchase or sale of an asset or to assume or settle a liability in a free market. This definition can consider either an entry or an exit price. The fair value of securities and financial instruments is determined based on prices provided by experts authorized by the CNBV, which are denominated as "price vendors", and who specialize in calculating and providing prices for valuation of securities portfolios. The authorization of price vendors is not required by U.S. GAAP.

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition only considers an exit price. Consideration must be given to the principal and most advantageous market and the highest and best use of the asset.

Furthermore, U.S. GAAP establishes a three-level hierarchy to be used when measuring and disclosing fair value in a company's financial statements. Categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

- Level 1—Listed prices for identical instruments in active markets.
- Level 2—Listed prices for similar instruments in active markets; listed prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Employee Retirement Obligations

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

Under Mexican Banking GAAP, pension and seniority premium obligations are determined in accordance with NIF D-3. Under U.S. GAAP, such costs are accounted for in accordance with ASC 715 *Compensation—Retirement Benefits* (previously SFAS No. 87, "Employers' Accounting for Pensions,") whereby the liability is measured, similar to Mexican Banking GAAP, using the projected unit credit method at net discount rates. The U.S. GAAP standard became effective for years beginning after December 15, 1986 whereas NIF D-3 became effective on January 1, 1993.

Therefore, a difference between Mexican Banking GAAP and U.S. GAAP exists due to the accounting for the transition obligation at different implementation dates.

In addition, under U.S. GAAP, the accounting for defined benefit postretirement plans, which include seniority premiums within Mexico, was amended in 2006 such that an employer is required to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position, recognizing changes in that funded status in the year in which the changes occur through other comprehensive income. Accordingly, unrecognized items may exist in Mexican FRS which would be included as part of the employee benefit liability under U.S. GAAP.

Guarantees

For Mexican Banking GAAP purposes, guarantees are recorded at cost at inception and disclosed in memorandum accounts unless payments in connection with the guarantee are probable, where the amounts expected to be paid are recorded.

For U.S. GAAP purposes, guarantees are accounted for under ASC 460 *Guarantees* (previously FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statements No. 5, 57, and 107 and rescission of

FASB interpretation No. 34,") which requires that an entity recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing such guarantee.

Retained Earnings Adjustments and Special Accounting Accommodation

Where specific approval is given by the CNBV, certain adjustments and provisions which are created during the year may be charged to retained earnings and not to the statement of income for the period.

Under U.S. GAAP certain adjustments such as the proposed accounting accommodation would be recognized retrospectively.

Presentation of financial statements

The presentation of the financial statements is based on the requirements of the CNBV, which differs from requirements of presentation of MFRS and U.S. GAAP. Some examples of difference in presentation requirements include the following: Under Mexican Banking GAAP some captions of the balance sheet are presented on a net basis offsetting the asset and liability balance at year-end. Therefore, certain assets and liabilities currently presented on a net basis under Mexican Banking GAAP might have been recognized on a gross basis under U.S. GAAP.

In preparing the cash flow statement the Bank follows the standard form the CNBV, which might be considering the net cash flows of operating, investing and financing activities rather than the gross inputs/outputs as required by U.S. GAAP.

Deferred Income Tax

Mexican Banking GAAP is similar to U.S. GAAP with respect to accounting for deferred income taxes in that an asset and liability approach is required. Under Mexican Banking GAAP, deferred tax assets must be reduced by a valuation allowance if it is "highly probable" that all or a portion of the deferred tax assets will not be realized. The determination of the need for a valuation allowance must consider future taxable income and the reversal of temporary taxable differences. Net deferred income tax assets or liabilities are presented within long-term assets or liabilities.

During 2007, the Mexican tax authorities issued a new Flat Rate Business Tax or IETU. For Mexican Banking GAAP purposes, based on projections of taxable income, companies must determine whether they will be subject to regular income tax or IETU in the future and, accordingly, must recognize deferred taxes based on the tax they expect to pay. Therefore, deferred taxes are calculated by scheduling the reversal of temporary differences under each tax regime and applying either the income tax or IETU rate to such temporary differences. If a company determines, based on its projections, that it will be both subject to IETU and ISR in the future, the company is required to schedule out the reversal of temporary differences under each tax regime and record the amount that represents the larger liability or the smaller benefit.

Under U.S. GAAP, deferred income taxes are also accounted for using the asset and liability approach. Additionally, if the company has experienced recurring losses, little weight, if any, may be placed on future taxable income as objective evidence to support the recoverability of a deferred income tax asset. U.S. GAAP requires that deferred tax assets and liabilities be classified as current or long-term depending on the classification of the asset or liability to which the deferred relates.

Effects of Inflation

Through December 31, 2007, Mexican Banking GAAP required that the effects of inflation be recorded in financial information and that financial statements be restated to constant Pesos as of the latest balance sheet date presented. Beginning January 1, 2008, Mexican Banking GAAP modified the accounting for the recognition of the effects of inflation and defines two economic environments: (i) an

“inflationary environment,” in which the cumulative inflation of the three preceding years is 26% or more, in which case the effects of inflation should be recognized using the comprehensive method; and (ii) a “non-inflationary environment’, in which the cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in the financial statements. Beginning January 1, 2008 the Bank ceased recognizing effects of inflation.

Under U.S. GAAP, historical costs must be maintained in the basic financial statements. Business enterprises are encouraged to disclose certain supplemental information concerning changing prices on selected statement of income and balance sheets items. Typically, however, no gain or loss on monetary position is recognized in the financial statements. However, specific rules and regulations established by the SEC allow for the presentation of inflation in a company’s reconciliation from local GAAP to U.S. GAAP for companies registering securities with the SEC for sale in the United States, when, for local purposes, such company prepares comprehensive price-level adjusted financial statements, as required or permitted by their home-country GAAP.

Loan Origination Fees and Costs

Under Mexican Banking GAAP, loan origination fees are recognized on a cash basis and loan origination costs are expensed as incurred.

Under U.S. GAAP, loan origination fees, net of direct origination costs, are deferred and recognized over the life of the loan as an adjustment of yield (interest income) Loan origination fees and related direct loan origination costs for a given loan are offset and the net amount is deferred and amortized. Direct loan origination costs of a completed loan include, (a) incremental direct costs of loan origination incurred in transactions with independent third parties for that loan and (b) certain costs directly related to specified activities performed by the lender for that loan. Those activities include evaluating the prospective borrower’s financial condition; evaluating and recording guarantees, collateral and other security agreements; negotiating loan terms; preparing and processing loan documents; and closing the transaction.

Under U.S. GAAP credit card fees and costs are recognized on straight-line basis over the period the cardholder is entitled to use the card.

Annex B

UNAUDITED FINANCIAL INFORMATION FOR THE FIRST QUARTER OF 2012

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BANCA MIFEL, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO MIFEL
PRESIDENTE MASARYK No. 214 - 2o PISO, COL. POLANCO 11560 MÉXICO, D.F.
INCOME STATEMENT AS 01 JANUARY TO 31 MARCH OF 2012
(Millions of Mexican pesos)

Interest income		$ 608
Interest expense		381
Result by net monetary position (financial margin)		-
FINANCIAL MARGIN		$ 227
Provision for loan losse		-
FINANCIAL MARGIN AFTER PROVISION FOR LOAN LOSSES		$ 227
Commissions and fees received	$ 32	
Commissions and fees paid	13	
Net gain or (loss) in Brokerage operations	(9)	
Other operating income – Net	30	40
TOTAL INCOME (EXPENSE) FROM OPERATING		$ 267
Administrative and promotional expenses		243
INCOME BEFORE INCOME TAXES		$ 24
Current income tax expense	$ -	
Deferred income tax benefit	(12)	(12)
INCOME BEFORE EQUITY IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATES		$ 36
Share of results of unconsolidated subsidiaries and associated		-
INCOME BEFORE DISCONTINUED OPERATIONS		$ 36
Discontinued operations		-
NET INCOME		$ 36

This statement was prepared in accordance with the accounting criteria for credit institutions, issued by the National Banking and Securities, based on the provisions of Articles 99, 101 and 102 of Law Institutions credit, of general and mandatory, consistently applied, they reflect all revenues and expenses from operations conducted by the institution during the period above mentioned, were carried out and valued in accordance with banking practices and the laws and administrative provisions

" This income statement was approved by the board under the responsibility of the officers who sign. "

"The clarifying notes accompanying are an integral part of these financial statements."

LIC. DANIEL BECKER FELDMAN
GENERAL MANAGER

LIC.JOAQUIN PRENDES HERRERA
EXECUTIVE CONTROLLER MANAGER

C.P. ANTONIO SALAS HERNÁNDEZ
EXECUTIVE AUDIT MANAGER

L.C. JAVIER CORONA GARCIA
ACCOUNTING MANAGER

http://www.mifel.com.mx/Portal/?page=Document/doc_view_section.asp&id_document=219
www.cnbv.gob.mx/estadistica

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BANCA MIFEL, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE GRUPO FINANCIERO MIFEL
PRESIDENTE MASARYK No. 214 - 2o PISO, COL. POLANCO 11560 MÉXICO, D.F.
BALANCE SHEET AS MARCH 31, 2012
(Millions of Mexican pesos)

ASSETS			
CASH AND DUE FROM BANKS			$ 1,551
MARGIN ACCOUNTS			-
INVESTMENTS IN SECURITIES			
Trading		$ 7,794	
Available for sale		43	
Held to maturity		13,675	21,512
DEBIT BALANCE UNDER REPURCHASE AND RESALE AGREEMENTS TRANSACTIONS			-
SECURITIES LOANS			-
DERIVATIVE FINANCIAL INSTRUMENTS			
Trading		$ -	
For hedging			
		-	-
ADJUSTMENT RELATED TO CHANGES IN THE FAIR VALUE OF HEDGEG ITEM			174
PERFORMING LOANS			
Commercial loans			
Bussines or commercial activity	$ 9,959		
Financial Entities	439		
Government entities	1,913	$ 12,311	
Consumer loans		21	
Mortgages loans		878	
TOTAL PERFORMING LOANS		$ 13,210	
NON-PERFORMING LOANS			
Commercial loans			
Bussines or commercial activity	$ 388		
Financial Entities	21		
Government entities	-	$ 409	
Consumer loans		5	
Mortgages loans		83	
TOTAL NON-PERFORMING LOANS		$ 497	
LOAN PORTFOLIO		$ 13,707	
(-) LESS:			
ALLOWANCE FOR LOAN LOSSES		342	
LOAN PORTFOLIO- NET		$ 13,365	
PURCHASED RECEIVABLES		-	
LOAN PORTFOLIO- NET			13,365
BENEFITS RECEIVED SECURITIZATION TRANSACTIONS			-
OTHER ACCOUNTS RECEIVABLE - NET			1,598
FORECLOSED ASSETS - NET			12
PROPERTY, FURNITURE ANS EQUIPMENT - NET			250
EQUITY INVESTMENTS			3
LONG TERM ASSETS AVAILABLE FOR SALE			-
DEFERRED TAXES AND EMPLOYEES' STATUTORY PROFIT SHARING - NET			201
OTHER ASSETS - NET			
Deferred charges, advance payments and intangibles		$ 693	
Other short and long-term assets		6	699
TOTAL ASSETS			$ 39,365

LIABILITIES AND STOCKHOLDER´S EQUITY			
DEPOSITS			
Demand deposits		$ 2,900	
Time deposits:			
General public	$ 6,563		
Money market	12,785	19,348	
Bank bonds		63	$ 22,311
INTERBANK LOANS AND LOANS FROM OTHER ENTITIES			
Immediate repayment		$ 294	
Short-term		2,688	
Long-term		731	3,713
SECURITIES			-
CREDITORS UNDER AGREEMENTS TO REPURCHASE			9,368
SECURITIES LOANS			-
COLLATERAL SOLD OR GIVEN TO GUARANTEE			
Repo		$ -	
Securities loans		-	
Derivatives		-	
Other collateral sold		-	-
DERIVATIVES FINANCIAL INSTRUMENTS			
For trading		$ 23	
For hedging		202	225
ADJUSTMENTS FOR VALUATION COVERAGE OF FINANCIAL LIABILITIES			-
OBLIGATIONS SECURITIZATION TRANSACTIONS			-
OTHER ACCOUNTS PAYABLE			
Tax on profits payable		$ -	
Employees' statutory profit sharing payable		-	
Contributions for future equity increases pending formalization by the shareholders		-	
Creditors for settlement of transactions		198	
Margin accounts payables		-	
Sundry creditors and other accounts payable		246	444
OUTSTANDING SUBORDINATED DEBENTURES			1,308
DEFERRED CREDITS, NET			-
DEFERRED CREDITS AND CHARGES EXPECTED			62
TOTAL LIABILITIES			$ 37,431
STOCKHOLDERS' EQUITY			
STOCKHOLDERS' EQUITY			
Capital stock		$ 1,171	
Contributions for future equity increases pending formalization by the shareholders		510	
Premium on share sale		-	
Subordinated debentures		-	$ 1,681
EARNED CAPITAL			
Capital reserves		$ 116	
Retained Earnings		108	
Net unrealized gain on valuation of available for sale securities		6	
Result from valuation of cash-flow hedges		(13)	
Cumulative effect of conversion		-	
Result from holding nonmonetary assets		-	
Net income		36	253
TOTAL STOCKHOLDERS' EQUITY			$ 1,934
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			$ 39,365

MEMORANDUM ACCOUNTS

Guarantees granted		$ -	
Contingent assets and liabilities		-	
Credit commitments		68	
Property in trust or mandate			
Trust funds	$ 41,739		
Mandate	9	41,748	
Financial agent of the Federal Government		-	
Property in custody or administration		22,349	
Collateral received by entity		2,001	
Collateral received and sold or delivered as collateral by the entity		2,001	
Investment banking transactions for third parties (net)		26,874	
Accrued interest receivable resulting from non-performing loans		64	
Other control accounts		29,822	$ 124,927

The historical balance of capital stock as 31 March 2012 is $ 540 Million pesos.

"The capitalization rate on assets subject to credit risk at March 31, 2012 is 23.63% and the total risk assets is 17.60%"

"This balance sheet was prepared in accordance with the accounting criteria for credit institutions, issued by the National Banking and Securities based on the provisions of Articles 99, 101 and 102 of the Law on Credit Institutions , of general and mandatory, consistently applied, they reflect the operations conducted by the institution until the date mentioned above, which are carried out and valued in accordance with banking practices and the laws and administrative provisions.

This balance sheet was approved by the board under the responsibility of the officers who sign. "

"The clarifying notes accompanying are an integral part of these financial statements."

LIC. DANIEL BECKER FELDMAN	LIC.JOAQUIN PRENDES HERRERA	C.P. ANTONIO SALAS HERNÁNDEZ	L.C. JAVIER CORONA GARCIA
GENERAL MANAGER	EXECUTIVE CONTROLLER MANAGER	EXECUTIVE AUDITOR MANAGER	ACCOUNTING MANAGER

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BANCA MIFEL, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE GRUPO FINANCIERO MIFEL
PRESIDENTE MASARYK No. 214 - 2o PISO, COL. POLANCO 11560 MÉXICO, D.F.
STATEMENTS OF CASH FLOW
AS JANUARY 1, TO MARZO 31, 2012
(Millions of Mexican pesos)

Net income	**$**	**36**
Adjustment from items not implying cash flows:		
Gain or loss of valuation associated with investing and financing activities	$	-
Provision for loan losses		(5)
Other allowances on doubtful accounts		3
Impairment losses or reversal of impairment effect for activities associated with investment and financing		-
Depreciation and amortization		12
Provisions and reserves	-	2.00
Current and deferred income tax		(4)
Share of the profit of unconsolidated subsidiaries and associated		-
Discontinued operations		-
Other		(3)
	$	**1**
Changes in operating assets and liabilities		
Decrease (increase) in margin accounts	$	-
Decrease (increase) in investments in securities		(1,181)
(Increase) decrease in repurchase-agreements		(1,200)
Change in securities lending (active)		-
Decrease in derivative financial instruments		0
Decrease (increase) in loan portfolio		115
Change in receivables purchased		-
Change in benefits receivable securitization transactions		-
Increase in foreclosed assets		(1)
Cambio en otros activos operativos		-
Increase in deposits		1,409
Increase (decrease) in loans from other entities		219
Increase (decrease) in creditors under agreements to repurchase		(179)
Change in securities lending (passive)		-
Increase (decrease) in collateral sold or given in guarantee		1,200
Increase in derivative financial instruments		39
Change in debt securitization transactions		-
Change in subordinated debentures with Characteristics of Liabilities		-
Change in other operating liabilities		-
Change in hedging instruments (of hedged items related to operating activities)		-
Other		(1,932)
Net cash flows provided by (used in) operating activities	**$**	**(1,511)**
Investment activities		
Disposal of property, furniture and equipment	$	510
Acquisition of property, furniture and equipment		(6)
Proceeds on disposal of subsidiaries and associated		-
Payments for acquisition of subsidiaries and associated		-
Proceeds on disposal of other permanent investments		-
Acquisition of other permanent investments		1
Dividends received in cash		-
Payments for acquisition of intangible assets		-
Proceeds on disposal of long duration assets held for sale		-
Proceeds on disposal of other long duration assets		-
Payments for acquisition of other long duration assets		-
Charges associated with hedging instruments (of hedged items related to investing activities)		-
Payments associated with hedging instruments (of hedged items related to investing activities)		-
Others		-
Net cash flows used in investment activities	**$**	**505**
Financing activities		
Proceeds on share issue	$	-
Payments for equity repayments		-
Cash dividends payments		-
Payments associated with the repurchase of own shares		-
Proceeds on issuance of subordinated debt with equity features		-
Payments related to subordinated debentures		(143)
Others		-
Net cash flows provided by financing activities	**$**	**(143)**
Net increase or decrease in cash	**$**	**(1,112)**
Adjustments to cash flow variations in the exchange rate and inflation levels		-
Cash and dues from banks at beginning of period		2,663
Cash and dues from banks at end of period	**$**	**1,551**

"This cash flow statement was prepared in accordance with the accounting criteria for credit institutions, issued by the National Banking and Securities, based on the provisions of Articles 99, 101 and 102 of the Act Credit Institutions, of general and compulsory, consistently applied, they reflect the cash inflows and outflows arising from transactions carried out by the institution during the period above mentioned, were carried out and valued in accordance with sound banking practices and the laws and administrative provisions.

" This cash flow statement was approved by the board under the responsibility of the officers who sign. "

"The clarifying notes accompanying are an integral part of these financial statements."

LIC. DANIEL BECKER FELDMAN
GENERAL MANAGER

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PRESIDENTE MASARYK No. 214 - 2o PISO, COL. POLANCO 11560 MÉXICO, D.F.

STATEMENTS OF CHANGES IN STOCKHOLDERS´ EQUITY AS MARCH 31, 2012

(Millions of Mexican pesos)

Item	Paid-in capital				Earned surplus							Total stock holders' equity
	Capital stock	Contributions for future capital contributions arranged by its governing board	Premium on share sale	Subordinated debentures	Capital reserves	Retained earnings	Net unrealized gain (loss) from available for sale securities	Result from valuation of cash flow hedges	Accumulated Effect of conversion	Result from holding nonmonetary assets	Net Income	
Balances at December 31,2011	1,171	-	-	-	99	(42)	7	(14)	-	-	167	1,388
CHANGES RELATED TO STOCKHOLDERS' RESOLUTIONS:												
Share subscription	-	510	-	-	-	-	-	-	-	-	-	510
Profit capitalization	-	-	-	-	-	-	-	-	-	-	-	-
Capital reserves	-	-	-	-	17	(17)	-	-	-	-	-	-
Transfer of net income to retained earnings	-	-	-	-	-	167	-	-	-	-	(167)	-
Payment dividends	-	-	-	-	-	-	-	-	-	-	-	-
Total changes related to stockholders´resolutions	-	510	-	-	17	150	-	-	-	-	(167)	510
CHANGES RELATED TO RECOGNITION OF COMPREHENSIVE INCOME:												
Comprehensive Income												
Net income	-	-	-	-	-	-	-	-	-	-	36	36
Gain or loss from valuation of available for sale securities	-	-	-	-	-	-	(1)	-	-	-	-	(1)
Gain or loss from valuation of hedging instruments of cash flows.	-	-	-	-	-	-	-	1	-	-	-	1
Accumulated Effect of conversion	-	-	-	-	-	-	-	-	-	-	-	-
Result from holding nonmonetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Special Registration Effect of CNBV	-	-	-	-	-	-						-
Total cahnges inherent in the recognition of other comprehensive income	-	-	-	-	-	-	(1)	1	-	-	36	36
Balances at March 31, 2012	1,171	510	-	-	116	108	6	(13)	-	-	36	1,934

"This statement of changes in stockholders' equity was prepared in accordance with the accounting criteria for credit institutions, issued by the National Banking and Securities, based on the provisions of Articles 99, 101 and 102 of the law on Credit Institutions, of general and mandatory, consistently applied, they reflect movements in the equity accounts arising from operations conducted by the institution during the period above mentioned, were carried out and valued in accordance banking practices and the applicable legal and administrative provisions.

" This statement of changes in stockholders' equity was approved by the board under the responsibility of the officers who sign

"The clarifying notes accompanying are an integral part of these financial statements."

LIC. DANIEL BECKER FELDMAN
GENERAL MANAGER

LIC.JOAQUIN PRENDES HERRERA
EXECUTIVE CONTROLLER MANAGER

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L.C. JAVIER CORONA GARCIA
ACCOUNTING MANAGER

Banca Mifel

Banca Mifel, S.A., Institución de Banca Múltiple, Grupo Financiero Mifel.

1st. Q. 2012

Notes to the Financial Statements according to the "General Provisions Applicable to Financial Information Credit Institutions"

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BANCA MIFEL, S.A , GRUPO FINANCIERO MIFEL

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BANCA MIFEL, S.A , GRUPO FINANCIERO MIFEL

Stockholder´s Equity Movements

During the first quarter of 2012 there were no movements in the stockholder´s equity

BANCA MIFEL, S.A , GRUPO FINANCIERO MIFEL

Loan Portfolio

The loan portfolio is detailed below by type of loan:

	Mexican pesos (1) 1Q 2012	US Dollars (2) 1Q 2012	Total 1Q 2012
Performing loans			
Commercial Activity	9,449	510	9,959
Financial Institution	439	-	439
Government Entities	1,913	-	1,913
Consumer loans	21	-	21
Mortgage loans	878	-	878
Non-performing loans			
Commercial Activity	386	2	388
Financial Institution	21	-	21
Government Entities	-	-	-
Consumer loans	5	-	5
Mortgage loans	83	-	83
Total	13,195	512	13,707

(1) Include UDIS valued at fixed ending exchange rate

(2) Valued at fixed ending exchange rate

Amounts in millons of pesos

Average Interest Rate of Demand deposits, time deposits and Bank Loans

The Average interest reate of demand deposits, time deposits and and bank loans are:

	Mexican pesos	Foreing currency
	1Q 2012	1Q 2012
Demand and Time Deposits:		
Rate	4.29%	0.61%
Bank loans:		
Rate	4.82%	6.10%

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Non-performing loans movements

The non-performing loans movenents are:

	Mexican pesos (1)	Foreing currency (2)	Total
	1Q 2012	1Q 2012	1Q 2012
Balance at beginning of quarter	635.72	0.69	636.41
Entries to Non-perfoming loans:			
From Performing loans	156.31	1.98	158.29
Outputs performing loans:			
Transfers to performing loan	9.37	-	9.37
Payments received	219.28	0.50	219.78
Restructuriong and renewals	59.60	-	59.60
Write offs	7.12	-	7.12
Foreclosed assets	1.94	-	1.94
Valuations effects	-	0.01	0.01
Balances at end of quarter	494.72	2.16	496.88

(1) Include UDIS valued at fixed exchange rate

(2) Valued at fixed exchange rate

Amounts in millons of pesos

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Investments in Securities

The investments in securities porfolio is integrated as follows:

	Adquisition cost	Interests earned	Valuations increase (decrease)	Market value
Traiding securities				
Unrestricted:				
Govermment securities:	$ 1,035.21	$ 13.64	$ (0.06)	$ 1,048.79
Bank debt securities	-	-	-	-
Other debt securities	5.18	0.01	(4.15)	1.04
Restricted:				
Govermment securities:	$ 5,089.30	$ 0.88	$ (0.18)	$ 5,090.00
Bank debt securities	959.55	0.23	(1.54)	958.24
Other debt securities	693.89	0.11	1.84	695.84
Total Traiding securities	$ 7,783.13	$ 14.87	$ (4.09)	$ 7,793.91
Available for sale securities				
Unrestricted:				
Govermment securities:	$ 25.60	$ 0.35	$ 5.40	$ 31.35
Bank debt securities	-	-	-	-
Other debt securities	5.02	0.77	5.55	11.34
Restricted:				
Govermment securities:	$ -	$ -	$ -	$ -
Bank debt securities	-	-	-	-
Other debt securities	-	-	-	-
Total securities available for sale	$ 30.62	$ 1.12	$ 10.95	$ 42.69
Securities held to maturity				
Unrestricted:				
Govermment securities:	$ -	$ -	$ -	$ -
Bank debt securities	1,259.47	9.97	-	1,269.44
Other debt securities	9,979.02	-	-	9,979.02
Interest received in advance	-	(192.15)	-	(192.15)
Restricted:				
Govermment securities:	$ 2,215.24	$ 2.08	$ -	$ 2,217.32
Bank debt securities	-	-	-	-
Other debt securities	401.65	0.12	-	401.77
Total securities held to maturity	$ 13,855.38	$ (179.98)	$ -	$ 13,675.40
Total Investments in securities	$ 21,669.13	$ (163.99)	$ 6.86	$ 21,512.00

Amounts in millons of pesos

Repurchase and resale agreements:

The repurchase and resale agreements entered into by the Bank are comprised as follows:

Type of security	Debtor under repurchase agreement
Government securities	2,007.39
Bank securities	-
Private	-
Total	2,007.39

Type of security	Collateral under repurchase agreement
Government securities	2,007.39
Bank securities	-
Private	-
Total	2,007.39
Net debtors & collateral	-

Type of security	Liabilities for repo operations
Government securities	7,307.35
Bank securities	959.79
Private	1,101.08
Total	9,368.22

Amounts in millons of pesos

Derivative Financial Instruments

Notional amounts of Derivative Financial Instruments are as follows:

	Underlying	Purchase	Sale
Trading purposes			
Forwards	Usd	144.62	77.62
European type options	Usd	-	-
			Amount in millions of dollars
Hedge purposes			
Interest Rate Swap (IRS)	TIIE 28	-	1,605.10
Future rate	TIIE 28	-	-
Interest Rate Options (CAPS)	TIIE 28	1,035.00	-
		Amount in millions of pesos	

The underlying Options and Forwards is referenced to foreign currency (Dollar)
The underlying futures contracts, options and swaps as hedges are interest rates (TIIE28)

Results for Valuation and Purchase-Sale

The results of the valuation and purchase-sale are:

Type of instrument	Valuation	Purchase-Sale	Total
	1Q 2012	1Q 2012	1Q 2012
Forwards	(0.68)	(23.24)	(23.92)
Option	(0.01)	(1.47)	(1.48)
Futures	-	-	-
Swaps	(2.95)	(2.71)	(5.66)
Subordinated debentures	-	-	-
Investments in Securities	(7.58)	28.23	20.65
Currencies	(21.88)	23.68	1.80
Metal	-	-	-
Total	(33.10)	24.49	(8.61)

Amount in millions of pesos

Other income (expense) of Operation

Other income (expense) of Operation are:

	1Q 2012
Other income:	
Cancellation provisions and sundry creditors	0.97
Interest income from loans	0.13
Consulting and Support	7.70
Management and Financial Advisory	14.86
Insurance Brokers Fees	1.50
Income from insurance operation (RSA)	1.91
Cancellation of excess allowance for loan losses	5.07
Others	1.99
	34.13
Otros Expense:	
Allowance for doubtful accounts	2.99
Various losses.	0.13
Donations	0.02
Interest asset finance charge	1.27
	4.41
Net	**29.72**

Amount in millions of pesos

Deferred Taxes

The deferred taxes as March 31, 2012, are:

	IRS deferred	ESPS deferred	Total IRS & ESPS
Entries for:			
Valuation of financial instruments	7	2	9
Tax losses	109	-	109
Sundry creditors	5	2	7
Foreclosed assets	16	5	21
Other provisions not deductible	9	3	12
Other temporary differences	56	12	68
Entries in charge:			
Other temporary differences	19	6	25
Total favor / (charge)	183	19	201

Amount in millions of pesos

Capitalization index

Capitalization rates are formed as follows:

Breakdown	1Q 2012
Net Capital / Assets subject to credit risk	23.63%
Net Capital / Assets subject to credit risk, market and operational	17.60%

Net Capital

The amount of net capital is composed as follows:

Concept	1Q 2012
Basic Capital	1,539
Complementary capital	1,189
Net Capital	2,728

Amount in millions of pesos

Weighted Assets

Weighted assets are:

Concept	1Q 2012
Risk Market Weighted Assets	2,249
Risk Credit Weighted Assets	11,547
Operational Risk Weighted Assets	1,706

Amount in millions of pesos

Average Market Risk

The value of the average market risk period is:

Concept	1Q 2012
Market value at risk	1.55
Net Capital at end of period	2,728
Percentage represents the market value at risk, the net capital at end of period (VAR)	0.06%

Amount in millions of pesos

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Rating of the loan portfolio

Rated at March 31, 2012

	LOAN PORTFOLIO AMOUNT	PREVENTIVE RESERVES REQUIRED			
		COMMERCIAL	CONSUMER	MORTGAGE	TOTAL PREVENTIVE RESERVES
EXCEPT RATED:					
Risk A	$ 13,204,860	$ 93,279	$ 16	$ 1,236	$ 94,531
Risk B	267,466	9,586	1,203	4,373	15,162
Risk C	90,579	25,524	668	2,385	28,577
Risk D	63,878	37,282	1,301	-	38,583
Risk E	163,987	157,623	462	1,440	159,525
Subtotal	$ 13,790,770	$ 323,294	$ 3,650	$ 9,434	$ 336,378
Plus:					
Past due interest on current operations					$ 4,391
Reserves ordered by the CNBV					1,438
Total					$ 342,207
Less:					
Constituted reserves					342,207
Excess					$ -

1 Figures for rated and the establishment of loss reserves, are those for the last day of the month to which referred to the Balance Sheet March 31, 2012

2 The loan portfolio is classified according to the rules for qualification of the loan portfolio issued by the Ministry of Finance and Public Credit (SHCP) and the methodology established by the CNBV, and may in the case of commercial loans and mortgage made by internal methodologies authorized by the CNBV. The institution uses the methodology established by the CNBV.

(In thousands of pesos)

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Financial Indicators

CONCEPT	4Q 2010	1 Q 2011	2Q 2011	3Q 2011	4Q 2011	1 Q 2012
DELINQUENCY RATE	2.97%	3.35%	4.07%	4.46%	4.63%	3.62%
COVERAGE RATE NON-PERFORMING LOANS	110.36%	97.90%	81.92%	63.52%	57.59%	68.87%
OPERATIONAL EFFICIENCY	2.17%	2.42%	2.41%	2.42%	2.48%	2.50%
ROE	38.66%	11.41%	3.46%	15.40%	19.62%	8.67%
ROA	1.32%	0.41%	0.12%	0.52%	0.69%	0.37%
LIQUIDITY	217.17%	266.30%	153.77%	114.18%	172.81%	159.62%
MIN	2.97%	1.51%	3.12%	0.25%	6.31%	3.93%
CAPITALIZATION RATE BREAKDOWN:						
Net Capital / Assets subject to credit risk	21.28%	19.96%	18.34%	18.86%	17.71%	23.63%
Ner Capital / Assets subject to credit risk, market and operational	14.99%	13.46%	12.31%	12.72%	13.01%	17.60%

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Debtors in excess of 10% of Basic Capital

The main debtors exceed 10% of core capital are:

	AMOUNT	% BASIC CAPITAL
CREDITED 1	$ 1,513	144.75%
CREDITED 2	747	71.48%
CREDITED 3	280	26.77%
CREDITED 4	275	26.35%
CREDITED 5	260	24.84%
CREDITED 6	253	24.21%
CREDITED 7	246	23.57%
CREDITED 8	224	21.47%
CREDITED 9	218	20.88%
CREDITED 10	193	18.49%
CREDITED 11	192	18.34%
CREDITED 12	186	17.81%
CREDITED 13	140	13.44%
CREDITED 14	132	12.64%
CREDITED 15	141	13.53%
CREDITED 16	121	11.56%
CREDITED 17	119	11.37%
CREDITED 18	116	11.07%
CREDITED 19	115	10.97%
CREDITED 20	114	10.91%
CREDITED 21	113	10.85%
CREDITED 22	113	10.80%
CREDITED 23	112	10.70%
CREDITED 24	106	10.13%
	$ 6,031	

The maximum amount of financing for its three largest debtors are:

	MAXIMUM AMOUNT
CREDITED 1	$ 1,513
CREDITED 2	747
CREDITED 3	280
Total	$ 2,540

Notes:

1) The basic capital at March 31, 2012 is $ 1.539
2) 10% of basic capital amounted to $ 153.00
3) The sum of the debtors whose risk exceeded 10% of core capital at March 31, 2012 is $ 6,031

Amount in millions of pesos

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BANCA MIFEL, S.A , GRUPO FINANCIERO MIFEL

Information per segment:

Following is a breakdown of the main operations per business segment shown in the Bank's financial statements for 1Q 2012:

Balance sheet

Concept	Credit and Collection	Treasury and investment banking	Others	Total
Cash and due from banks	-	1,551	-	1,551
Margin accounts	-	-	-	-
Investments in securities	-	21,512	-	21,512
Dedit balance under repurchase and resale agreements transactions	-	-	-	-
Securities loans	-	-	-	-
Derivatives	-	-	-	-
Adjustment for valuation of financial assets	-	174	-	174
Loan portfolio-net	13,365	-	-	13,365
Other assets	12	3	2,748	2,763
Total assets	**13,377**	**23,240**	**2,748**	**39,365**
Demand Deposits	22,311	-	-	22,311
Interbank loans and loans from other entities	3,713	-	-	3,713
Creditors under agreements to repurchase	-	9,368	-	9,368
Securitires loans	-	-	-	-
Derivatives	-	225	-	225
Outstanding subordinated debentures	-	1,308	-	1,308
Others liabilities	-	-	444	444
Deferred credits	-	-	62	62
Total liabilities	**26,024**	**10,901**	**506**	**37,431**

Total Operating Results

Concept	Credit and Collection	Treasury and investment banking	Others	Total
Interest income	299	309	-	608
Interest expense	(203)	(178)	-	(381)
Result by net monetary position (financial margin)	-	-	-	-
Provision for loan losses	-	-	-	-
Commissions and fees received	12	-	20	32
Commissions and fees paid	-	-	(13)	(13)
Net gain or (loss) in Brokerage operations	-	(9)	-	(9)
Other operating income – Net	5	-	25	30
Total income (expense) from operations	**113**	**122**	**32**	**267**

The segments used for reporting in Banca MIFEL are:

* **Credit and Collection.** Group the accounting transactions related to the credit transaction, demand deposits, time deposits, promissory notes issued to fund cash loan portfolio and loans from development banks to fund loans PYME and FIRA

***Treasury and Investment Banking**. Group the accounting movements result of the operation of the treasury (investments in securities, subordinated debentures, Repos and Derivatives). Movements also groups brokering investments in Mesa Money and Investment Company, and results of the exchange operation.
la operación cambiaria.

Transactions with related parties:

At the end of March 2012, performed the following transactions with related parties:

Mexican Currency	Transactión				
	Demanda Deposits	Loan Portfolio	Money Market	Mutual Funds	Administrative Services
	5.12	13.01	-	3.68	-
Afiliatted Entities	5.76	51.55	10.35	-	-
Board	33.00	113.51	44.85	14.94	-
StockHolders	5.92	179.84	5.68	-	-
Holding Company	9.51	-	3.00	-	-
Group Companies	0.07	13.70	-	-	7.70
Total	59.38	371.61	63.88	18.62	7.70

USD in Mexican Pesos (trasnlated)	Transaction		
	Demand Deposits	Loan Portfolio	Administrative Services
	-	-	-
Afiliatted Entities	6.39	-	-
Board and mainly employee	4.23	-	-
Group Companies	-	-	-
Total	10.62	-	-

Figures un million Mexican Pesos

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SPECIAL ACCOUNTING REGISTRATION

AUTHORIZATION OF THE SPECIAL ACCOUNTING RECORD OF THE CNBV.

Official letter number 100/012/2011 dated 11 July 2011, the National Banking Commission and Securities (CNBV), on the basis laid down in article 175 of the General character applicable to credit institutions (CUB), authorized Banca Mifel, S.A., institution of full service banks, group financial Mifel (Banca Mifel), an accounting special temporary applicable from January 1, 2011 and until the 30 of September 2011, in order to ensure stability and adequate solvency of the institution under the process of corporate restructuring which crosses, as well as the strengthening of the operational framework and control that it entails.

SPECIAL ACCOUNTING AND ACCOUNTING STANDARDS THAT WERE APPLIED

Banca Mifel during the financial years 2009, 2010 and the first quarter of 2011 recognized accounted for as income two concepts associated with loans to borrowers of the circuit banking of Government, specifically to States and municipalities, situation that the CNBV considered departing from the regulatory framework applicable to credit institutions. These concepts are: resources received by structuring of loans and for provision of professional services.

The concepts mentioned above, in terms of the points made by the CNBV, should adhere to accounting standards:

Credit structuring: received resources meet the elements to be considered a liability in accordance with what is established in the NIF A-5 "Core elements of financial statements" of the NIF "Conceptual framework" of standards of financial information (NIF), issued by the Mexican Council of financial reporting standards A.C. (CINIF), in relation to the criterion 33 Annex A-1 of the CUB, considering that since the agreed operations arises an economic demand, virtually inescapable, identified and quantified even repay received resources.

Provision of professional services: received resources meet the elements to be considered fees charged by the granting of the credit, shall be registered as a depreciable deferred credit against results under the method of straight line during the life of the credit, according to stipulations in the criterion B-6 "Credit portfolio" of Annex 33 of the CUB

The CNBV authorized special accounting that provides as follows:
a) The effect of reclassifications of the two above-mentioned concepts for the years 2009 and 2010 shall be accounted for reflected within previous results exercises, and

b) The effect corresponding to the reclassifications of the first and second quarters of the year 2011 should reflect the outcome of the current year.

IMPACT OF ACCOUNTING SPECIAL REGISTRATION

The detail of the revenue generated during 2009, 2010 and 2011 from the concepts subject to reclassification is as follows:

CONCEPT	PERIOD			TOTAL
	2009	2010	2011	
Credit Structuring	28,250,000	167,025,178	50,000,000	**245,275,178**
Provision of Professional Services	46,765,000	50,688,500	24,900,000	**122,353,500**
TOTAL	**75,015,000**	**217,713,678**	**74,900,000**	**367,628,678**

continues...

REGISTRATION SPECIAL ACCOUNTING

The reclassification discussed above generates the 3rd quarter of 2011, once recognized the effects of natural depreciation during the life of the loan, a decrease in the areas of Prior year and net income and an increase in the Liabilities, as noted below:

ITEM		CREDIT STRUCTURE	PROFESSIONAL SERVICES	TOTAL
Retained Earnigs		195,275,178	42,663,764	237,938,942
Net Income		50,000,000	24,900,000	74,900,000
	TOTAL	**245,275,178**	**67,563,764**	**312,838,942**
Liabilities		245,275,178	67,563,764	312,838,942
	TOTAL	**245,275,178**	**67,563,764**	**312,838,942**

The allocation in the Assets, Liabilities and Capital derivative of special accounting records shown in the following table:

CONCEPT	Without Special Register	With Special Register	Difference
ASSETS	**169,322,080**	**193,478,933**	**24,156,853**
Deferred taxes and employee profit sharing	169,322,080	193,478,933	24,156,853
LIABILITIES	**1,472,589,988**	**1,553,112,832**	**80,522,844**
Deferred credits and advance collection	1,472,589,988	1,553,112,832	80,522,844
STOCKHOLDERS´EQUITY	**1,171,108,582**	**1,171,108,582**	**0**
Capital Stock	1,171,108,582	1,171,108,582	0
CAPITAL GAIN	**206,907,782**	**150,541,791**	**(56,365,991)**
Capital reserves	99,042,381	99,042,381	0
Retained earnings	41,092,846	(42,155,672)	(83,248,518)
Net unrealized gain on valuation of aviable for sale securities	5,849,770	5,849,770	0
Result form valuation of cash-flow hedges	(12,998,289)	(12,998,289)	0
Net income	73,921,074	100,803,601	26,882,527
TOTAL STOCKHOLDERS´ EQUITY	**1,378,016,364**	**1,321,650,373**	**(56,365,991)**

With respect to movements in the liabilities resulting from accounting records is especially important to note that during the year 2011 there have been various effects related to early reclassifications in question, for the 3rd quarter of the current period to record a balance remained of $ 80,522,844.

In applying the special accounting record amount for the category retained earnings has a negative effect of $ 83,248,518 considering a positive effect of deferred taxes of $ 23,138,803. On the Net category, the positive effect of $ 26,882,527 considered a positive effect of deferred taxes of $ 1,018,051.

New Methodology to reserve Commercial Portfolio States and Municipalities

On October 5, 2011 the National Banking and Securities Commission (CNBV) issued the Resolution amending General provisions applicable to credit institutions. It sets the methodology for establishing loss reserves for the commercial loan portfolio of the states and their municipalities.

The above methodology is intended to estimate the credit reserves based on expected loss and the loss incurred for which the calculation is incorporated in a larger number of credit information to anticipate future losses.

In attention to provided for in that resolution was determined initial cumulative financial effect resulting from the first application of the new methodology in the amount of $ 45,790,582 pesos. This amount was recognized as a release of the allowance for loan losses directly in the income statement under "Allowance for Credit" and its corresponding effect on the balance sheet item of the same name, in accordance with the provisions in the Fifth Transitory Article of that Order.

ISSUER

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