Nacional Financiera, S. N. C.
Institución de Banca de Desarrollo
and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2010 and 2009 and Independent Auditors' Report Dated February 21, 2011

Nacional Financiera, S.N.C.
Institución de Banca de Desarrollo and Subsidiaries
Av. Insurgentes Sur 1971, Col. Guadalupe Inn, CP. 01020 Mexico D.F.

Independent Auditors' Report and Consolidated Financial Statements for 2010 and 2009

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Independent Auditors' Report to the Board of Directors and Stockholders of Nacional Financiera, S.N.C. Institución de Banca de Desarrollo and to the Secretaría de la Función Pública

We have audited the accompanying consolidated balance sheets of Nacional Financiera, S.N.C. Institución de Banca de Desarrollo and Subsidiaries (the "Institution") as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended.These consolidated financial statements are the responsibility of the Institution's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements at December 31, 2010 and 2009 of the subsidiaries, whose assets represent 2% and 3%, respectively, and 1% of the total consolidated income of both years, were examined by other auditors. Accordingly, as regards the amounts presented for the subsidiaries, our opinion is exclusively based on the report issued by the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with the accounting criteria included in the "General Provisions Applicable to Credit Institutions" (the "Provisions"), issued by the Mexican National Banking and Securities Commission (the "Commission"). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting 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 indicated in Notes 1 and 4 to the accompanying consolidated financial statements, the operations of the Institution's main subsidiary, as well as its financial reporting requirements, are regulated by the Commission and other applicable laws. Note 1 describes the operations of the Institution and the conditions of the current economic environment generated by the global financial crisis. Note 4 describes the accounting criteria established by the Commission in its general provisions applicable to credit institutions, which the Institution uses for the preparation of its financial information. Note 3 indicates the principal differences between the accounting criteria established by the Commission and Mexican Financial Reporting Standards, which are commonly applied in the preparation of financial statements for other types of unregulated entities.

As established in Note 24, on December 6, 2010, the Institution made the payment of MX $1,650 million as established in official notice number 10.2-B-071 dated November 25, 2010, issued by the Office of the Assistant Secretary of the Treasury Department, in which the Federal Government ordered the payment of non-tax charges for the sovereign guarantee by the Federal Government of the liabilities contracted by the Institution at the close of October 2010, as established in article 26 of the "Federal Law of the Budget and Fiscal Responsibility". Such payment was made with a charge to the Institution's' profits and is shown in the "Other expresses" account in the income statement. Furthermore, as indicated in Note 23, in its meeting of November 25, 2010, the Board of Directors instructed the Institution to take the necessary measures to request from the federal government, through the Treasury Department, a capital contribution of MX $1,650 million, in order to strengthen its capital and help carry out the Institution's mandate as a development Bank.

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In our opinion, consolidated financial statements present fairly, in all material respects, the financial position of Nacional Financiera, S.N.C. Institución de Banca de Desarrollo and Subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations, changes in their stockholders' equity and their cash flows for the years then ended, in conformity with the accounting practices prescribed by the Commission.

The accompanying financial statements have been translated into English for the convenience of users.

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

C.P.C. Rony García Dorantes
February 21, 2011

Nacional Financiera, S. N. C.
Institución de Banca de Desarrollo and Subsidiaries
Av. Insurgentes Sur 1971, Col. Guadalupe Inn, CP. 01020 Mexico D.F.

Consolidated Balance Sheets

At December 31, 2010 and 2009
(In millions of Mexican pesos)

Assets	2010	2009
Cash and cash equivalents	$ 16,697	$ 22,590
Margin accounts	2	-
Invesment in securities:		
Trading	115,406	106,752
Available for sale	288	395
Held to maturity	33,792	34,631
	149,486	141,778
Debtors from repurchase agreements	-	453
Derivatives:		
Trading purposes	409	230
Valuation adjustments due tofinancial assets hedge	102	-
Current loan portfolio:		
Commercial loans-		
Commercial activity	12,304	7,426
Financial entities	84,206	71,627
Government entities loans	10,713	11,847
	107,223	90,900
Consumer loan portfolio	2	3
Mortgage loans	186	192
Federal government's financial agent	15,360	19,991
Total current loan portfolio	122,771	111,086
Past-due loan portfolio:		
Commercial loans-		
Commercial activity	53	55
Financial entities	73	48
	126	103
Consumer loan portfolio	4	4
Mortgage loans	21	20
Total past-due portfolio	151	127
Total loan portfolio	122,922	111,213
Allowance for loan losses	(2,241)	(2,284)
Loan portfolio (net)	120,681	108,929
Other receivables (net)	2,444	2,338
Repossessed assets (net)	6	6
Property, furniture and equipment(net)	1,809	1,912
Other investments	4,497	3,605
Permanent investments	2,220	2,370
Other assets, deferred charges and intangibles	714	496
Total assets	$ 299,067	$ 284,707

Liabilities	2010	2009
Term deposits:		
Money market	$ 118,758	$ 118,168
Issued credit titles:		
Bank bonds	7,020	2,054
Securities placed abroad	9,607	8,350
	135,385	128,572
Interbank loans and loans from other entities:		
Payable on demand	952	1,337
Short-term loans	10,143	5,910
Long-term loans	7,573	18,605
	18,668	25,852
Creditors from repurchase agreements	124,919	113,170
Derivatives:		
Trading purposes	44	16
Valuation adjustments due tofinancial liabilities hedge	151	(22)
Other payables:		
Income taxes	479	379
Employee profit sharing (PTU) payable	89	51
Transaction settlement creditors	291	4
Accrued liabilities and other	2,382	2,455
	3,241	2,889
Deferred taxes, net	280	441
Deferred credits	27	-
Total liabilities	282,715	270,918
Stockholders' equity		
Paid-in capital:		
Capital stock	8,211	8,211
Contributions for future capital increases approved by the Board of Directors	5,150	3,500
Share subscription premium	4,366	4,366
	17,727	16,077
Earned capital:		
Capital reserves	1,730	1,730
Results of prior years	(8,027)	(8,584)
Result from valuation of securities available for sale	12	(2)
Translation gain on foreign transactions	130	121
Effects of valuation on associated and affiliated companies	2,924	3,080
Net income	1,040	570
	(2,191)	(3,085)
Noncontrolling interest	816	797
Total stockholders' equity	16,352	13,789
Total liabilities and stockholders' equity	$ 299,067	$ 284,707

Memorandum accounts

	2010	2009
Guarantees granted	$ 1,026	$ 1,876
Contingent assets and liabilities	$ 30,089	$ 30,418
Property held in trust or under mandate:		
In trust	$ 579,767	$ 552,621
Under mandate	82,275	92,376
	$ 662,042	$ 644,997
Federal government´s financial agent	$ 127,176	$ 104,196
Property held in custody or under administration	$ 339,059	$ 409,187
Collateral received by the entity	$ 35,543	$ 51,831
Collateral received and sold or pledged as collateral by the entity	$ 35,543	$ 51,378
Investment banking transactions on behalf of third parties, net	$ 84,454	$ 82,705
Uncollected accrued interest derived from non-performing loan portfolio	$ 50	$ 35
Other record accounts	$ 589,333	$ 570,227

"These consolidated balance sheets were prepared in accordance with the accounting criteria for credit institutions issued by the Mexican National Banking and Securities Commission, in accordance with Articles 99, 101 and 102 of the Credit Institutions Law, on a general and mandatory basis, applied consistently, and reflect all the revenues and expenses derived from the transactions performed by the Institution and his subsidiary for the aforementioned periods, which were carried out and valued in accordance with sound banking practices and applicable legal and administrative provisions."

"The amount of historical common stock as of December 31, 2010 is $2,390."

"The consolidated balance sheets were approved by the Board of Directors under the responsibility of the undersigned directors."

"The Head of the Internal Control Area hereby signs these consolidated financial statements based on the results of the reviews performed to date, which have allowed verifying the sufficiency of the process for generating financial information established by the Institution´s Management and its capacity to generate reliable information".

Ing. Héctor A. Rangel Domene Chief Executive Oficer	Lic. María del Carmen Arreola Steger Director of Administration and Finance	C. P. Sergio Miranda Flores Accounting and Budgetary Control Director	C. P. Marisela Pérez Velázquez Head of Internal Control Area

See accompanying notes to consolidated financial statements.

Nacional Financiera, S. N. C.
Institución de Banca de Desarrollo and Subsidiaries
Av. Insurgentes Sur 1971, Col. Guadalupe Inn, CP. 01020 Mexico D.F.

Consolidated Statements of Operations

For the years ended December 31, 2010 and 2009
(In millions of Mexican pesos)

	2010	2009
Interest income	$ 17,154	$ 19,981
Interest expense	(13,755)	(18,343)
Financial margin	3,399	1,638
Provision for loan losses	(960)	(957)
Financial margin after provision for loan losses	2,439	681
Commission and fee income	595	505
Commission and fee expense	(82)	(59)
Intermediation result	624	550
Other operating income	989	654
Net operating revenues	4,565	2,331
Administrative and promotional expenses	(2,425)	(2,998)
Operating income (loss)	2,140	(667)
Other income	293	1,197
Other expenses	(1,710)	(190)
Income before current and deferred income taxes	723	340
Current income taxes	(466)	(374)
Deferred income taxes (net)	32	3
Income (loss) before equity in results of subsidiaries and associated companies	289	(31)
Equity in results of associated companies	886	631
Net income before non-controlling interest	1,175	600
Non-controlling interest	(135)	(30)
Consolidated net income	$ 1,040	$ 570

"These consolidated statements of operations were prepared in accordance with the accounting criteria for credit institutions issued by the Mexican National Banking and Securities Commission, in accordance with articles 99, 101 and 102 of the Credit Institutions Law, on a general and mandatory basis, applied consistently, and reflect all the revenues and expenses derived from the transactions performed by the Institution for the aforementioned periods, which were carried out and valued in accordance with sound banking practices and applicable legal and administrative provisions."

"These consolidated statements of operations were approved by the Board of Directors under the responsibility of the undersigned directors."

"The Head of the Internal Control Area hereby signs these consolidated financial statements based on the results of the reviews performed to date, which have allowed verifying the sufficiency of the process for generating financial information established by the Institution´s Management and its capacity to generate reliable information."

Ing. Héctor A. Rangel Domene Chief Executive Officer	Lic. María del Carmen Arreola Steger Director of Administration and Finance
C. P. Sergio Miranda Flores Accounting and Budgetary Control Director	C. P. Marisela Pérez Velázquez Head of Internal Control Area

See accompanying notes to consolidated financial statements.

Nacional Financiera, S. N. C.
Institución de Banca de Desarrollo and Subsidiaries
Av. Insurgentes Sur 1971, Col. Guadalupe Inn, CP. 01020 Mexico D.F.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2010 and 2009
(In millions of Mexican pesos)

	Paid in capital			Earned capital									
	Capital stock	Contributions for future capital increases	Share subscription premium	Capital reserves	Results of prior years	Result from valuation of cash flow hedging instruments	Result from valuation of securities available for sale	Translation gain on foreign transactions	Effects of valuation on associated and affiliated companies	Result from holding nonmonetary assets - Due to valuation of long-term equity Investment	Net income	Noncontrolling interest	Total stockholders' equity
Balances as of December 31, 2008	$ 7,952	$ 6,095	$ 2,030	$ 1,730	$ (8,693)	$ 4	$ (7)	$ 98	$ 3,076	$ (111)	$ 108	$ 677	$ 12,959
Movements inherent to the decisions of stockholders-													
Transfer of prior year's result	-	-	-	-	108	-	-	-	-	-	(108)	-	-
Valuation of hedging instruments for cash flows	-	-	-	-	1	(1)	-	-	-	-	-	-	-
Contributions for future capital increases	259	(2,595)	2,336	-	-	-	-	-	-	-	-	-	-
	259	(2,595)	2,336	-	109	(1)	-	-	-	-	(108)	-	-
Movements inherent to recognition of comprehensive result-													
Net income	-	-	-	-	-	-	-	-	-	-	570	-	570
Result from valuation of associated and affiliated companies	-	-	-	-	-	-	-	-	115	-	-	-	115
Result from valuation of securities available for sale	-	-	-	-	-	-	5	-	-	-	-	-	5
Translation gain on foreign transactions	-	-	-	-	-	-	-	23	-	-	-	-	23
Result from valuation of hedging instruments for cash flows	-	-	-	-	-	(3)	-	-	-	-	-	-	(3)
Result from holding nonmonetary assets for valuation of long-term equity investment	-	-	-	-	-	-	-	-	(111)	111	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	120	120
Total movements inherent to recognition of comprehensive result	-	-	-	-	-	(3)	5	23	4	111	570	120	830
Balances as of December 31, 2009	8,211	3,500	4,366	1,730	(8,584)	-	(2)	121	3,080	-	570	797	13,789
Movements inherent to the decisions of stockholders-													
Update of hedging instruments for cash flows	-	-	-	-	570	-	-	-	-	-	(570)	-	-
Contributions for future capital increases	-	1,650	-	-	-	-	-	-	-	-	-	-	1,650
	-	1,650	-	-	570	-	-	-	-	-	(570)	-	1,650
Movements inherent to recognition of comprehensive result-													
Net income	-	-	-	-	-	-	-	-	-	-	1,040	-	1,040
Result from valuation of associated and affiliated companies	-	-	-	-	-	-	-	-	(240)	-	-	-	(240)
Result from valuation of securities available for sale	-	-	-	-	-	-	14	-	-	-	-	-	14
Translation gain on foreign transactions	-	-	-	-	-	-	-	9	-	-	-	-	9
Result from holding nonmonetary assets for valuation of long-term equity investment	-	-	-	-	(13)	-	-	-	13	-	-	-	-
Deffered taxes effect	-	-	-	-	-	-	-	-	71	-	-	53	124
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(34)	(34)
Total movements inherent to recognition of comprehensive result	-	-	-	-	(13)	-	14	9	(156)	-	1,040	19	913
Balances as of December 31, 2010	$ 8,211	$ 5,150	$ 4,366	$ 1,730	$ (8,027)	$ -	$ 12	$ 130	$ 2,924	$ -	$ 1,040	$ 816	$ 16,352

"These consolidated statements of changes in stockholders´equity were prepared in accordance with the accounting criteria for credit institutions issued by the Mexican National Banking and Securities Commission, in accordance with articles 99, 101 and 102 of the Credit Institutions Law, on a general and mandatory basis, applied consistently, and reflect all the revenues and expenses derived from the transactions performed by the Institution for the aforementioned periods, which were carried out and valued in accordance with sound banking practices and applicable legal and administrative provisions."

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

"The Head of the Internal Control Area hereby signs these consolidated financial statements based on the results of the reviews performed to date, which have allowed verifying the sufficiency of the process for generating financial information established by the Institution´s Management and its capacity to generate reliable information."

Ing. Héctor A. Rangel Domene Chief Executive Officer	Lic. María del Carmen Arreola Steger Director of Administration and Finance	C. P. Sergio Miranda Flores Accounting and Budgetary Control Director	C. P. Marisela Pérez Velázquez Head of Internal Control Area

See accompanying notes to consolidated financial statements.

Nacional Financiera, S. N. C.
Institución de Banca de Desarrollo and Subsidiaries
Av. Insurgentes Sur 1971, Col. Guadalupe Inn, CP. 01020 Mexico D.F.

Consolidated Statement of Cash Flows

For the year ended December 31, 2010
(In millions of Mexican pesos)

		2010		2009
Net income	$	1,040	$	570
Adjustments derived for items not involving cash flows:				
Allowance for loan losses		960		957
Allowance for doubtful accounts		21		2
Depreciation and amortization		68		55
Provisions		(1,964)		(1,359)
Incurred and deferred income taxes		(434)		429
Share in net income of associated companies		(886)		(631)
Reversal of excess of allowance for loan losses		(987)		(653)
Other		46		(64)
		(3,176)		(1,264)
Operating activities:				
Change in margin account		(2)		-
Change in investment in securities		(5,498)		(24,286)
Change in debtors from repurchase agreements		453		(347)
Change in derivatives (asset)		2,551		1,780
Change in loan portfolio (net)		(12,224)		(22,044)
Change in repossessed assets		2		1
Change in other operating assets		(391)		(727)
Change in deposits		6,332		20,302
Change in interbank loans and other loans from other entities		(6,063)		(12,522)
Change in creditors from repurchase agreements		11,750		42,790
Change in derivatives (liabilities)		(2,660)		(2,206)
Change in other operating liabilities		960		(1,721)
Net cash used in operating activities		(4,790)		1,020
Investing activities:				
Proceeds on disposal of property, furniture and equipment		36		45
Payments for acquisition of property, furniture and equipment		(2)		(12)
Proceeds on disposal of subsidiaries and associated companies		1		147
Payments on disposal of subsidiaries and associated companies		(143)		-
Dividends received in cash		100		35
Net cash provided by investing activities		(8)		215
Finanzing activities:				
Contributions for future capital increases		1,650		-
Net cash from financing activities		1,650		-

	2010	2009
Net increase in cash and cash equivalents	(5,284)	541
Adjustment to cash flows for changes in exchange rate	(609)	(432)
Cash and cash equivalents at beginning of year	22,590	22,481
Cash and cash equivalents at end of year	$ 16,697	$ 22,590

"These consolidated statements of cash flows were prepared according to the Accounting Criteria applicable to credit institutions issued by the National Banking and Securities Commission per articles 99, 101 and 102 of the Law on Credit Institutions, which are of a general and mandatory nature, must be applied consistently and reflect the income and expenses resulting from the transactions performed by the Institution during the above period, which were realized and valued according to sound banking practices and applicable legal and administrative dispositions."

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

"The Head of the Internal Control Area hereby signs these consolidated financial statements based on the results of the reviews performed to date, which have allowed verifying the sufficiency of the process for generating financial information established by the Institution's Management and its capacity to generate reliable information."

Ing. Héctor A. Rangel Domene
Chief Executive Officer

Lic. María del Carmen Arreola Steger
Director of Administration and Finance

C. P. Sergio Miranda Flores
Accounting and Budgetary Control Director

C. P. Marisela Pérez Velázquez
Head of Internal Control Area

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009
(In millions of Mexican pesos)

1. Organization and objective

Nacional Financiera, S.N.C., (the "Institution") is a Development Banking Institution that operates in accordance with the rules of its own Organic Law, The Law of Credit Institutions and the rules issued by the National Banking and Securities Commission (the "Commission").

The objectives of the Institution are to promote the integral development and modernization of the industrial sector with a regional approach; stimulate the development of small and medium sized enterprises by supplying financing, personal empowering and technical assistance, support financial markets development with the purpose of enhancing regional growth and job creation and act as financial agent of the Federal Government in the negotiation, contracting and management of credits from abroad.

The Institution carries out its operations in accordance with financial criteria applicable to development Banks, channeling its funds mainly through Commercial Banks and non-banking financial intermediaries. The principal source of Institution´s resources are loans from international development institutions such as the International Bank for Reconstruction and Development ("IBRD") and the Interamerican Development Bank ("IDB"), as well as lines of credit from foreign banks and placement of securities in the international and domestic markets.

As of December 31, 2010, the operating structure of Institution abroad includes two branches: one in London, England and another in Gran Cayman; one representative office in Washington, D.C. within the US.

Article 10 of Institution´s Organic Law establishes that the Federal Government will respond at all times for the transactions carried out by the Institution with individuals and corporations, with foreign institutions and for the deposits received in terms of such law.

2. Basis of presentation

Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented under the accounting rules issued by the Commission. Certain accounting practices applied by the Institution that conform with the accounting rules issued by the Commission may not conform with accounting principles generally accepted in the country of use.

a. ***Consolidation of financial statements*** - The consolidated financial statements include the financial statements of the Institution and those of its subsidiaries, whose shareholding percentage in their capital stock is shown below:

Subsidiary	Ownership Percentage 2010	2009
Financing activities:		
Nafinsa Holdings Corporation	-	99.99
Operadora de Fondos Nafinsa, S.A. de C.V.	99.99	99.99

Subsidiary	Ownership Percentage	
	2010	2009
Non-financing activities:		
Corporación Mexicana de Inversiones de Capital, S.A. de C.V.	57.59	57.59
Specific purpose entities (trusts):		
Direct public sale of securities program	100	-
ATISBOS	100	-
Additional services:		
Plaza Insurgentes Sur, S.A. de C.V.	99.99	99.99
Pissa Servicios Corporativos, S.A. de C.V.	99.99	99.99

The intercompany balances and transactions have been eliminated in these consolidated financial statements.

The main activities of the subsidiaries (financial, nonfinancial and complementary services of the institution) are as follows:

Nafinsa Holdings Corporation-

Until December 31, 2009, it was mainly intended to act as an operating unit of the Institution abroad that facilitates identification of potential customers for bond and certificates of deposit trading with an efficient expense level that allows for maintaining financial equilibrium and operating licenses in the United States of America, in addition to safeguarding and managing the shares of Nafinsa Securities, Inc. and Nafinsa Real Estate, Co.

This subsidiary closed its operations in May 2010; a valuation of $(9) was recognized in the income statement

Operadora de Fondos Nafinsa, S.A. de C.V.-

This company mainly renders management services to mutual funds; it also distributes and repurchases stock, manages stock portfolio, and promotes stock or investment plans authorized for this purpose by the mutual funds, in performance of the Mutual Funds Law, the Mexican Corporate Law and other bodies of law applicable thereto.

Corporación Mexicana de Inversiones de Capital, S.A. de C.V.-

This company, among other things, buy, sells, and invests in companies, entities, and funds, or in any other form of legally established organization, risk capital, in conformity with the sector of each governmental entity in the terms and under the investment policy criterion determinate to be acting as an instrument for allocating funds.This company was incorporated in August 2006 with part of the stock portfolio of some development banking institutions. The Institution initially participated with 58.42% equity consisting of the investment it held in some SINCAS, as well as domestic and multinational funds.

The origin of this company: In performance of Article 5, subsection II, Article 6, Subsection IV, and Article 30 of the Nacional Financiera Organic Law, the Institution carried out various actions in 2006, to promote and encourage capital risk investments. Toward that end, authorization was obtained from its Board of Directors and the Ministry of Finance and Public Credit who participated in the incorporation of the Corporacion Mexicana de Inversiones de Capital, S.A de C.V (CIMIC), as the sole vehicle of the Federal Government development financial system, whereby funds will be allocated to be invested in uniform capital risk that assists promotion and development of the capital risk industry in Mexico. In addition to participating in the incorporation of the CIMIC and in order to capitalize the company, the Board of Directors and the Ministry of Finance and Public Credit authorized the Institution to transfer its investment portfolio in mutual funds and SICAS to CIMIC.

Plaza Insurgentes Sur, S.A. de C.V.-

The company mainly buys and sells all types of urban property, expressively included undeveloped property, and contracting leases as a lesser or lessee.

Pissa Servicios Corporativos, S.A. de C.V. (in liquidation) -

The company mainly renders supplementary or auxiliary services in managing or realizing the corporate purpose of any domestic lending company which is or might become its stockholder, as well as of auxiliary companies and trusts thereof.

Trust for the direct public sale of securities program -

Administration of the resources held in trust to perform the activities necessary to develop and implement the Direct public sale of securities program.

ATISBOS trust-

Administration of the resources held in trust to perform the activities necessary to regularize the company named Editorial "Atisbos, S.A."

b. ***Comprehensive income*** - This is the modification of capital accounts during the year for concepts that are not distributions and movements of contributed capital. It consists of net income for the year plus other items that represent a gain for the same period, which are presented directly in the stockholders' equity without affecting the statements of operations.

c. ***Conversion of financial statements of the foreign subsidiary*** - To consolidate the financial statements of the foreign subsidiary, they are modified in the recording currency to present them in accordance with the accounting criteria established by the Commission. The financial statements are converted to Mexican pesos and the conversion effects are recorded in stockholders' equity.

d. ***Reclassification of financial statements*** - Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2009 have been reclassified to conform to the presentation of the 2010 consolidated financial statements.

3. Principal differences compared to Mexican Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with the accounting criteria established by the Commission, which, in the following cases, differ from Mexican Financial Reporting Standards (NIFs), commonly applied in the preparation of financial statements for other types of unregulated companies:

– Sundry debtors not collected in 90 or 60 days, depending on their nature, are reserved in the statement of income, regardless of whether they may be recovered or not by the Institution.

– When the credits are held in overdue portfolio, the control of the earned interest is recorded in memorandum accounts. When such interest is collected, it is recognized directly in results of the year. NIFs require the recording of earned interest in results and the recognition of the respective reserve.

– Reclassification from the categories of securities held to maturity or held for trading purposes to the category of securities available for sale is only permitted with the express authorization of the Commission. However, according to the Interpretation of Financial Reporting Standards No. 16 (INIF 16), express authorization to make these transfers is only required in certain unusual cases and when the financial instruments are no longer actively traded, have a defined maturity date and the entity has both the intention and capacity to hold them to maturity.

- The amount of collateral granted in cash, securities or other highly liquid assets in derivatives transactions in recognized markets or stock markets is presented in a specific balance sheet heading denominated "Margin accounts”, instead of presenting it under the "Derivatives" heading, as established in NIFs.

- The contribution or margin accounts handled (delivered and received) when financial derivatives are traded in unrecognized markets, are recorded under the heading of “Funds available” and “Sundry creditors and other accounts payable", respectively, instead of being presented under the heading of "Derivatives", as established in NIFs.

- The Institution presents the statement of cash flows in accordance with the accounting criteria established by the Commission, which do not present the heading of surplus cash to be applied in financing activities, which must be presented under NIF, and in the net result, the allowance for loan losses and the allowance for bad debts or doubtful accounts is increased, which is not required by NIFs.

- Based on the new Provisions issued by the Commission, definitions were established for the concept of related parties which differ from those established in NIFs.

- The current and deferred Employee Statutory Profit Sharing (PTU) is presented in the statement of operations under the heading of "Administrative and promotion expenses”.

- It is established that an entity must consolidate a specific purpose entity (EPE) when the economic substance of the relationship between both entities indicates that such EPE is controlled by the former, only for those which have been created after January 1, 2009. In accordance with NIF B-8 “Consolidated or Combined Financial Statements”, holding companies which have specific purpose entities in which they exercise control as of dates before the effective date of this NIF (January 1, 2009) must consolidate and apply this change retrospectively.

4. Summary of significant accounting policies

The accounting principles used by the Institution are in conformity with the accounting rules established “General Provisions Applicable to Credit Institutions” (the “Provisions”) by the Commission, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and their related disclosures. However, actual results may differ from such estimates. The Institution’s management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances.

In accordance with accounting criterion A-1 issued by the Commission, the accounting of the Institution will be adjusted to reflect Mexican Financial Reporting Standards (“MFRS”), as defined by the Mexican Board for the Research and Development of Financial Reporting Standards (“CINIF”), except when, in the opinion of the Commission, a specific accounting regulation or treatment must be applied, bearing in mind that the Institution performs specialized operations.

The principal accounting practices followed by the Institution are as follows:

a. ***Recognition of the effects of inflation in financial information*** - The annual cumulative inflation of the three years prior to December 31, 2010 and 2009 is 14.48% and 15.01%, respectively. Accordingly, the economic environment of both years is classified as non-inflationary. Accordingly, the effects of inflation are not recognized in the financial statements. Annual inflation rates for the years ended December 31, 2010 and 2009 were 4.29% and 3.57%, respectively.

b. ***Cash and cash equivalents*** - These are recorded at face value. Funds available in foreign currency mostly refer to sight deposits denominated in U.S. dollars and are valued at the exchange rate published by Banco de México in the Official Federal Register (“DOF”), on the business banking day subsequent to the valuation date.

Foreign currency acquired that must be settled on a date after the completion of the purchase and sale transaction, is recognized as restricted funds available (foreign exchange to be received). Foreign currency sold is recorded as a credit in funds available (foreign exchange to be delivered). The counterparty is recorded in a debt settlement account when a sale is made and in a credit settlement account when a purchase is made.

For purposes of presentation in the financial information, foreign currency settlement accounts receivable and payable are offset by contract and duration and are presented under the heading of other accounts receivable (net) or other accounts payable, as the case may be.

This heading also includes interbank loan transactions agreed at a term equal to or less than three business days, as well as other funds available such as correspondents and notes for immediate collection.

c. ***Margin accounts*** - Guarantee deposits for financial derivatives transactions in recognized markets are recorded at face value. Guarantee deposits are intended to achieve compliance with obligations related to derivatives executed in recognized markets and refer to the initial margin and to subsequent contributions or withdrawals made during the effective term of the respective contracts.

d. ***Valuation of foreign currencies*** - The Institution maintains accounting records for each type of foreign currencies in which it has assets and liabilities, which are valued at the exchange rate for the settlement of foreign currency obligations as determined by Banco de Mexico (BANXICO).

e. ***Investment in Securities*** - The registration and valuation of investment securities are subject to the following guidelines:

– *Trading securities:*

These securities refer to the Institution´s proprietary positions which are acquired or sold to obtain gains based on expectations of future market movements and conditions.

These securities are initially recorded at their acquisition cost and valued at fair value, by applying market values provided by a pricing service authorized by the Commission. The book effect of this valuation is recorded in the statement of income. Fair value of debt securities includes both the capital component and interest accrued on the securities.

On the date sold, the gain or loss is recognized on the trade for the spread between net realization value and book value.

Accrued interest is recorded directly in income, where cash dividends collection of share certificates are recognized in income of the year in the same period in which the fair value of those certificates is applied as a consequence of the coupon cut-off.

– *Securities available for sale:*

These securities refer to the Institution´s proprietary positions acquired with a different purpose than trading or holding them to maturity.

Available-for-sale securities are initially recorded at their acquisition cost and valued at fair value, by applying market values provided by a pricing service authorized by the Commission. The book effect of this valuation is recorded in stockholders´equity. Fair value of debt securities includes both the capital component and interest accrued on the securities.

On the date sold, the gain or loss is recognized on the trade for the spread between net realization value and book value, upon reversal of the gain or loss on valuation recorded in stockholders´equity.

Accrued interest is recorded directly in income, where cash dividends collection of share certificates are recognized in income of the year in the same period in which the fair value of those certificates is applied as a consequence of the coupon cut-off.

– *Held to maturity:*

These are debt instruments with fixed or determinable payments or an established maturity acquired with both the intent and the ability to hold them to maturity.

These instruments are initially recorded at fair value, which reflects the contracted price. They are subsequently accounted for using amortized cost, thus affecting the results of the year based on accrued interest, and at the time of its sale the purchase result is recognized by the difference between book value and the net realizable value.

The transaction costs for the acquisition of the securities will be recognized, depending on the category in which they are classified, as follows:

a) Trading securities.-In results of the year on the acquisition date.

b) Securities available for sale and securities held to maturity.- Initially as part of the investment.

Impairment in the value of a credit instrument - The Institution must evaluate whether there is objective evidence that a credit instrument is impaired as of the balance sheet date.

It is considered that a credit instrument is impaired and, therefore, a loss from impairment is incurred if, and only if, there is objective evidence of the impairment as a result of one or more events that took place after the initial recognition of the credit instrument, which had an impact on its estimated future cash flows that can be determined reliably. It is very unlikely that one event can be identified that is the sole cause of the impairment, and it is more feasible that the combined effect of different events might have caused the impairment. The expected losses as a result of future events are not recognized, regardless of how probable they are.

f. ***Repurchase transactions*** - Repurchase transactions are those in which the buying party acquires, for a sum of money, the ownership of securities and undertakes to transfer the ownership of similar securities to the selling party within the agreed-upon term and upon payment of the same price plus a premium. Unless otherwise agreed, the premium is for the buying party.

For legal purposes, repurchase transactions are considered as a sale in which an agreement to repurchase the transferred financial assets is executed. Notwithstanding, the economic substance of repurchase transactions is that of guaranteed financing in which the buying party provides cash as financing in exchange for obtaining financial assets that serve as protection in the event of default.

The repurchase transactions are recorded as indicated below:

On the contracting date of the repurchase transaction, when the Institution acts as the selling party, the entry of the cash or asset or a debit settlement account is recognized, as well as an account payable at fair value, initially at the price agreed, which represents the obligation to repay such cash to the buying party.

The account payable will be valued subsequently during the useful life of the repurchase transaction at fair value, recognizing the interest on the repurchase agreement based on the effective interest method in results of the year.

When the Institution acts as the buying party on the contracting date of the repurchase transaction, the withdrawal of funds available or a credit settlement account is recognized, recording an account receivable at its fair value, initially at the agreed-upon price, which represents the right to recover the cash delivered.

The account receivable will be valued subsequently during the useful life of the repurchase agreement at fair value, recognizing the interest on the repurchase agreement based on the effective interest method in results of the year.

Collateral granted and received other than cash in repurchase transactions

In relation to the collateral granted by the selling party to the buying party (other than cash), the buying party recognizes as follows:

1) The purchasing party recognizes the collateral received in memorandum accounts. The selling party reclassifies the financial asset in its balance sheet, presenting it as restricted assets, for which purpose, the valuation, presentation and disclosure rules are followed in accordance with the respective accounting treatment established for credit institutions.

2) When it sells the collateral, the purchasing party recognizes the resources from the sale, as well as an account payable for the obligation to repay the collateral to the selling party (measured initially at the fair value of the collateral), valued at fair value (any difference between the price received and the fair value of the account payable is recognized in results for the year).

3) If the selling party does not comply with the contract conditions established and is therefore unable to claim the collateral, it eliminates it from its balance sheet at fair value against the account payable; by the same token, the purchasing party recognizes the entry of the collateral in its balance sheet, depending on the type of good in question, against the account receivable, or, as the case may be, if it had already sold the collateral, it eliminates the account payable related to the obligation to repay the collateral to the selling party.

4) The selling party maintains the collateral in its balance sheet and the buying party only recognizes it in memorandum accounts, except when the risks, benefits and control of the collateral have been transferred due to noncompliance by the selling party.

5) The memorandum accounts recognized for collateral received by the buying party are canceled when: i) the repurchase transaction reaches maturity, ii) there is noncompliance by the selling party or, iii) the buying party exercises the right to sell or pledge the collateral received.

g. ***Derivative financial instruments and hedging transactions*** - The Institution carries out two types of operations:

– Hedging transactions when derivative financial instruments are traded in order to offset one or various financial risks generated by a transaction or set of transactions associated with a primary position.

– Trading operations when the Institution maintains a derivative financial instrument with the original intent to obtain gains based on changes in its fair value.

Hedging transactions, in accordance with the hedged risk exposure profile, can be:

1) Fair value hedge-This consists of hedging exposure to changes in fair value of an asset (or portion thereof) or a liability (or portion thereof) recognized in the balance sheet, an unrecognized firm commitment to buy or sell an asset at a fixed price; or a portfolio of assets, liabilities or firm commitments with similar risk characteristics and that can affect the result of the period.

2) Cash flow hedge- This consists of hedging exposure to the variability of cash flows from a forecast transaction which (i) is attributable to a specific risk associated with a recognized asset or liability (such as all or some of the future payments of interest on a credit or debt instrument at a variable interest rate), or with a highly probable event which (ii) may affect the result of the period.

3) Hedging of a net investment in a foreign transaction.

Foreign currency hedge:

a) The gain or loss on valuation of the hedge instrument at its fair value (for a hedge derivative) or the foreign currency component valued in accordance with NIF B-15 (for a non-derivative hedge instrument) should be recognized in income of the period in which it occurs; and

b) The result from valuation of the hedged item attributable to the risk covered must adjust the book value of such item and be recognized in results of the period. This applies even if the hedged item were valued at cost (for example, when the interest rate risk is covered on a credit portfolio that is valued at amortized cost). The recognition of the result from valuation attributable to the risk hedged in the results of the period applies even if the item hedged is an investment in securities classified as available for sale.

A cash flow hedge transaction must be recognized as follows:

c) The portion of the gain or loss on the hedge instrument that is effective in the hedge must be recognized in stockholders' equity as part of the other comprehensive income items;

d) The portion of the gain or loss on the hedge instrument that is ineffective in the hedge must be recognized directly in results of the period.

h. ***Foreign currency transactions*** - Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. The assets and liabilities in foreign currencies are expressed in national currency using the exchange rate published of Banxico in the DOF the banking day following the date of valuation.

i. ***Current portfolio*** - Loans granted are recorded as an asset as of the date on which funds are drawn down and interest is aggregated as accrued, in accordance with the loan payment schedule.

Interest on outstanding credit operations is recognized and credited to the statement of operations as it accrues. Accrued interest is no longer recorded once credits are transferred to the overdue portfolio.

While loans remain classified as overdue portfolio, accrued interest is controlled in memorandum accounts. In the event that this interest should be collected, it is recognized in income of the year.

Past-due Portfolio - The unpaid balance of current loans is recorded as nonperforming portfolio when the following conditions are met:

- It is known that the borrower is declared in bankruptcy proceedings.
- Loans with single payment on principal and interest at maturity and present 30 or more calendar days in arrears.
- Loans with a single payment on principal at maturity and periodic payments on interest that present 90 or more calendar days in arrears of the respective interest payment or 30 or more calendar days in arrears of the principal.
- Loans with periodic payments on principal and interest and present 90 or more calendar days in arrears.
- Revolving loans that present two monthly billing periods or, if applicable, 60 or more calendar days in arrears.

Impaired portfolio - All those commercial credits are understood as impaired portfolio when, based on current information and events, as well as the review process of such credits, there is a considerable likelihood that both, the principal and interest may not be entirely recovered as set forth in the agreement. Both the current portfolio and past-due portfolio may be identified as an impaired portfolio.

The main policies and procedures established in the guidelines issued by the Institution for granting, controlling and recovering of credits are as follows:

- Any credits granted or guaranteed by the Institution should finance projects and entities that are economically and financially viable.
- The maximum financing limit is determined according to the needs of the investment project and the result from the evaluation of the payment capacity of the entity or project.
- The terms and grace periods of credits are established considering the payment capacity of entities.
- Real guarantees are obtained, preferably real estate, in an adequate and sufficient proportion according to the credit characteristics and, in the case, based on the type of financial intermediary granting such credit.
- All credit guarantees granted by the Institution, are supplemented of those that should be offered by borrower and do not substitute them; therefore financial intermediates should negotiate in each case with the credit recipient the guarantees that support the respective credit.
- The credit recipient must have a proven moral and credit solvency.
- Credit (lending) operations of both Bank Financial Intermediaries (BFI) and Non-Bank Financial Intermediaries (NBFI) are recorded at the headquarters offices of the Institution. Bank Financial Intermediary balances are reconciled quarterly and Non-bank Financial Intermediary balances are reconciled quarterly and Non-Bank Financial Intermediary balances are reconciled monthly.
- Portfolio recovery is performed through the SIRAC system, and administered at the headquarters of the Institution by the Management of the Credit Administration.
- No further credit operations will be carried out with an entity that has overdue credits.
- Once 90 days have elapsed after a payment is overdue, the related credit balance is considered overdue and collections are made through legal proceedings, whether directly in the case of direct loans, or through financial intermediates in the case of discounted credits.

The main policies and procedures for the evaluation and follow-up of credit risks according to the type of transactions are as follows:

Second-tier operations:

- Type "A" Financial Intermediaries, defined as Banks or factoring or leasing companies which are part of a financial group, which includes a bank. In view of the payment procedure to charge their BANXICO account, these intermediaries are considered within the lower risk level.

  A method for assigning credit risk limits to operate with Banks in Mexico known as "Metodologia de Asignacion de Limites de Riesgo Crediticio para Operar con Bancos en Mexico", has been established for these intermediaries. The methodology determines the maximum credit risk levels that may be accepted in each case, with respect to both credit and discounted operations, and to financial market transactions. The follow-up of credit limits is made on a daily basis, and limits are updated monthly.

- Type "B" Financial Intermediaries, correspond to all NBFI that are not part of a financial group which includes a bank. These intermediaries are considered as a medium credit risk source, and therefore specific rules and standards have been established that NBFI should comply with the intermediation of operations involving funds from the Institution.

  Supervision mechanisms have been established for these intermediaries, including monthly follow-up of their financial evolution and compliance with rules established. In addition, loans granted to these intermediaries are rated in conformity with the general provisions applicable to the credit institutions, published by the Commission in the Official Daily Gazette on December 2, 2005.

First-tier operations:

– These transactions are marginal for the Institution, and there is a procedure to follow-up credit risk based on the classification of the portfolio credit risk, according to guidelines established.

Guarantee program operations:

There is a monthly follow-up for the portfolio of guarantee program operations which includes an analysis of harvest, an analysis at a sampling level of the results from the follow-up of processes agreed with banks and also an analysis of the financial evolution of the guarantee trust established in the Institution. In an independent way, the banks that participate in this program submit the credits supported under the guarantee program to their own credit risks follow-up policies and procedures, as well as to the classification of risk according to the guidelines established.

j. ***Allowance for loan losses*** - The Commission establishes the rules for rating the credit portfolio. The provision corresponding to credit risk is estimated on a monthly basis according to quantitative and qualitative factors, included the classification methodology established by the Commission, which considers an analysis of the portfolio with problems according to its current risk. Considering foreseeable future risks, there is a practice to create additional reserves on a global basis, to cover possible contingencies.

Through general provisions applicable to the credit institutions, the Commission sets forth the rating methodologies of loan portfolios based on the type of loans comprising them, which allow for:

- Evaluating each borrower, in the case of the consumer lending portfolio, taking into account various quantitative elements related to the risk of borrower nonperformance and simultaneously obtaining a rating for each loan considering, if applicable, the value of the guarantees associated with such loans, in order to estimate a probable loss on each loan;

- Stratifying the portfolio in accordance with delinquency in payments including, in the case of the mortgage housing lending portfolio, the likelihood of nonperformance and the value of the guarantee of the loan, so that the amount of necessary preventive reserves can be determined in each stratum of the portfolio based thereon;

- Analyzing the creditworthiness of its debtors, in the case of the commercial lending portfolio, and estimating possible losses so that the amount of necessary preventive reserves can be determined based thereon;

- Using internal methodologies, in accordance with the aforementioned provisions, drawn up by credit institutions themselves when they certify that they have met the requirements for the purpose determined by the Commission.

In accordance with these regulations, the provisions for credit risk applicable to the mortgage housing and consumer lending portfolio are estimated monthly, based on balances at the last day of the month.

In addition, the balances relative to the quarters ending on March, June, September and December are used for rating the comercial portfolio.The pertinent preventive reserves are recorded at each quarter-end, considering the balance of the debt recorded in the accounting at each quarter-end and the balance of the debt recorded on the last day of the foregoing months. For the two months subsequent to each quarter-end, the pertinent rating applicable to credit used at the immediately foregoing quarter-end is applied to the balance of the debt recorded on the last day of the foregoing months.When there is an interim rating subsequent to the quarter-end, this rating can be applied to the balance of the debt recorded on the last day of the two months at issue.

k. ***Other accounts receivable, net-*** The amounts relative to the Institution's sundry debtors are provisioned with a charge to results of the year regardless of the probability of recovery, within the 90 or 60 days following their initial recording, depending on whether the balances are identified or not, respectively.

l. ***Property, furniture and equipment, net*** - Property, the cost of installation and upgrades are originally recorded at acquisition cost. Until 2007, buildings were updated using a factor derived from the value of the investment unit ("UDI"), whereas furniture and fixtures were noted at their cost of acquisition. Depreciation and relative amortization are calculated based on the acquisition cost or the updated cost through this date, a percentage determined based on the estimated economic life.

m. ***Foreclosed and repossessed property and property received as payment in kind*** - Foreclosed and repossessed property is stated at the lower of either the awarded cost or the net realizable value.

The assets acquired are valued according to accounting standards for credit institutions, according to the type of property involved, recording the valuation results for the year against other income (expense) of the transaction.

The amount of any estimate that recognizes the potential losses in value over time of the foreclosed assets must be determined on the foreclosure value using the procedures established in the general provisions applicable to the classification methodology of the credit portfolio of credit institutions, and be recognized in results of the year as other revenues (expenses) from the operation.

If in accordance with the aforementioned provisions the estimate referred to in the preceding paragraph is modified, such adjustment must be recorded against the amount of the estimate previously recorded and other revenues (expenses) from the operation.

When the foreclosed assets are sold, the difference between the selling price and the book value of the foreclosed asset, net of estimates, must be recognized in results of the year as other revenues (expenses) from the operation.

n. ***Income taxes*** - Income tax ("ISR") and the Business Flat Tax ("IETU") are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial and fiscal projections, the Institution determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

o. ***Other investments*** - Those permanent investments made in trusts and in shares of companies in which there is no control, combined control or significant influence are initially recorded at acquisition cost. They are valued using the equity method considering the financial information related to such entity; when it is practically impossible to obtain financial information on the entities, the investment is adjusted to zero value or acquisition cost. The adjustment procedure is selected based on the prudential treatment of applying specific rules contained in NIFs.

p. ***Funding*** - The liabilities for funding through certificates of deposit, term deposits, bankers´acceptances, promissory notes with interest payable at maturity, loans from local and foreign banks and bank bonds, are recorded based on the contractual value of the obligation. Any accrued interest is charged to the statement of income and credited to liability accounts.

q. ***Interbank loans and those from other entities*** - Liabilities from interbank loans are recorded based on the contractual value of the obligation. Accrued interest is recognized directly in income of the Institution.

r. ***Direct employee benefits-*** These are valued in proportion to the services rendered, considering the current wages and the liability is recognized as they are accrued. This item includes mainly PTU payable, remunerated absences, such as vacations and vacation premium, and incentives.

s. ***Labor obligations*** - Payments to employees and workers, who no longer render their services, as provided for in the federal labor law and the labor conditions in effect, are recorded as follows:

In accordance with the Federal Labor Law, the Institution has obligations for severance, and seniority premiums payable to employees who cease rendering their services under certain circumstances.

Indemnifications –

Severance payments that do not substitute retirement, which are made to personnel who retire under certain circumstances, are recorded as they are accrued, calculated by independent actuaries based on the projected unit credit method using normal interest rates.

Seniority premiums –

Seniority premiums payable to employees that have completed fifteen or more years of service of personnel. Toward that end, there is a provision that covers the actuarial present value of benefit obligation, which was determined in accordance with actuarial calculations with amounts as of December 31, 2010 and 2009.

In accordance with the Federal Labor Law, the Institution has a liability for indemnifying employees who are dismissed under certain circumstances and an obligation to pay a seniority bonus when they retire, provided that they (i) have completed fifteen years or more of service, (ii) are dismissed without a justifiable reason or (iii) pass away.

In conformity with General Work Conditions Laws (GWC), workers who reach 65 years of age and complete 30 years of service will be eligible for a retirement annuity. Moreover, upon reaching 65 years of age with 5 years of seniority, workers will be eligible to receive a pension whose amount will be equal to the proportion of the net monthly salary or wage during the last year of service, derived from multiplying the number of years of services rendered by the 0.0385 factor. The Institution reserves the right to pay a pension to that worker who has reached 60 years of age or completed 26 years of service.

On the other hand, the GWC dated August 12, 1994 set forth that workers who joined the Institution prior to the above date and reach 55 years of age and have completed 30 years of service or reached 60 years of age and complete 5 years of seniority will be eligible for a pension in the terms of the GWC referred to above.

In the event of an unjustified dismissal or termination of the employer-employee relationship, the worker may choose to receive the pertinent indemnification or a retirement annuity calculated based on the main characteristics of the retirement plan discussed above if the worker is 50 years old and has 16 or more years of seniority.

t. ***Provisions***-Provisions are recognized when there is a present obligation derived from a past event, which will probably result in the use of economic resources, and can be reasonably estimated.

u. ***Employee statutory profit-sharing (PTU) -*** PTU is recorded in results of the year in which it is incurred and is presented under the heading of administrative and promotion expenses in the accompanying statement of income. Deferred PTU is determined for the temporary differences resulting from comparing the book and tax values of assets and liabilities and is recognized only when a liability will probably be settled or a profit generated, and there is no indication that the situation will change in such a way that the liability or profit will not be realized.

PTU is determined based on the taxable profit as established in article 10, section I of the Income Tax Law. For the years 2010 and 2009 PTU was $89 and $51, respectively.

v. ***Recognition of interest income*** - Interest generated by outstanding credit operations is recognized and recorded in the statement of income based on the accrued amount. Interest on the past-due portfolio is recorded in the statement of income at the time of collection. The proceeds from interest on investments in securities are recorded in the statement of income based on the accrued amount.

Interest on liability operations is recognized in the statement of income as accrued, regardless of its payment date.

For presentation purposes in the statement of income, the commissions, premiums and exchange operations are included in the interest income caption.

The commissions collected to initially grant loans are recorded as a deferred credit, which is applied in the same way as interest income by the straight line method during the loan period. Any other commissions are recorded under the heading of collected commissions and tariffs on the date when they are generated or collected.

w. ***Brokerage commissions*** - Given the intermediary function performed by the Institution as liaison between the lender of financing and the borrower, the Institution obtains a commission for arranging the credits in the markets. Such commission is recorded in the statement of operations when it is generated under the heading of "Commission and fee income".

x. ***Intermediation results*** - Intermediation results are derived from security and derivative transactions, valuations of investments in security and derivative financial instruments at fair value, and recognition of the increase or decrease in the value of security investments.

y. ***Trusts*** - The operations in which the Institution acts as Trustee are recorded and controlled in memorandum accounts. According to the ISR law, as Trustee, the Institution is responsible for the compliance of tax obligations derived from the trusts performing business activities up to the amount of the equity in trust.

z. ***Foreign currency transactions*** - Monetary and nonmonetary assets and liabilities, as well as statements of operationsfor foreignsubsidiaries, are translated at the closing exchange rate at the valuation date. The pertinent financial statements were not restated since the Institution operated in a non-inflationary environment during 2010 and 2009.

aa. ***Settlement accounts*** - For purposes of their presentation in the financial information, the Institution offsets asset and liability positions when they are similar in terms of type, counterparty, class, deadline and terms, and they are recognized as an asset if a debit balance is generated or as a liability if it is a credit balance.

bb. ***Impairment of long-lived assets in use*** - The Institution reviews the book value of long-lived assets in use, in the presence of any indicator of impairment whereby the book value might not be recoverable, considering the greater of the present value of future net cash flows and the net selling price, in the event of their eventual disposal. Impairment is recorded if the book value exceeds the greater of the above-mentioned values.

As of December 31, 2010, the Institution assets do not present any indicators of impairment.

5. Foreign currency position

As of December 31, 2010 and 2009, the foreign currency position translated to Mexican pesos is comprised as follows:

	2010	2009
Assets	$ 22,924	$ 33,729
Liabilities	28,704	33,686
Net (short) long position	$ (5,780)	$ 43

The assets and liabilities in foreign currencies are as follows:

	Assets	Liabilities	Net 2010	Net 2009
U.S. dollars	$ 22,493	$ 28,319	$ (5,826)	$ (5)
Japanese yen	3	-	3	2
Euros	301	299	2	-
Sterling pounds	46	5	41	46
Special revolving rights	81	81	-	-
	$ 22,924	$ 28,704	$ (5,780)	$ 43

As of December 31, 2010 and 2009, the Exchange rates of the Mexican peso relative to the value of the U.S dollar were $12.3496 and $13.0659, respectively, according to the Exchange rate for the settlement of obligations denominated in foreign currency, determined by BANXICO. Other foreign currencies are valued considering the exchange rate relative to the U.S dollar.

6. Cash and cash equivalents

As of December 31, 2010 and 2009, cash and cash equivalents consist of the following:

	2010	2009
Deposits in Banxico	$ 11,745	$ 11,744
Deposits in domestic and foreign banks	4,784	7,286
Call money deposits	163	3,553
Other liquid assets	4	3
Cash and cash equivalents in subsidiaries	1	4
	$ 16,697	$ 22,590

Deposits in BANXICO apply to monetary regulation deposits, in conformity with the telefax 1/2007 issued by BANXICO on January 27, 2007.

As of December 31, 2010 and 2009, deposits in domestic and foreign banks included $1,624 and $1,712, respectively, by concept of currency spot sales.

As of December 31, 2010, the Institution maintains call money deposits for a máximum term of three banking days, amounting $163; such call money deposits were contracted at an average rate of 0.63% in foreign currency.

As of December 31, 2009, the Institution maintains call money deposits for a maximum term of three banking days, amounting $3,553 of which were $1,441 contracted at an average rate of 4.49% in Mexican pesos, and $2,112 at an average rate of 0.02% in foreign currency.

Cash and cash equivalents in foreign currencies as of December 31, 2010 and 2009, are summarized as shown below:

	2010		
	Amount	Exchange rate	Equivalent in national currency
Euros	2	16.563280	$ 39
U.S. dollars	231	12.349600	2,857
Sterling pounds	2	19.334530	39
Japanese yen	12	0.152520	2
			$ 2,937

2009

	Amount	Exchange rate	Equivalent in national currency
Euros	56	18.745650	$ 1,052
U.S. dollars	621	13.065900	8,113
Sterling pounds	2	21.097510	45
Japanese yen	10	0.140460	1
			$ 9,211

As of December 31, 2010 and 2009, the concept of other liquid assets includes gold coins amounting to a value of $3, which are stated at market value.

7. Investments in securities

As of December 31, 2010 and 2009, investments in securities consist of the following:

Trading securities:

Instrument	2010 Acquisition cost	2010 Accrued interest	2010 Valuation	2010 Book value	2009 Book value
Development Fund Shares for the securities Market (FDMV)	$ 477	$ -	$ 354	$ 831	$ 575
Bondes	4,914	7	15	4,936	4,707
Stock certificates	2,267	3	37	2,307	1,817
Segregable stock certificates	50	-	-	50	-
Deposits certificates	-	-	-	-	130
Ipabonds	2,170	10	(1)	2,179	2,906
Sale of securities with value date:					
Fixed rate bonds	(88)	-	-	(88)	-
Segregable stock certificates	(50)	-	-	(50)	-
Ipabonds	(747)	-	-	(747)	-
Restricted financial instruments:					
Bondes	48,130	27	99	48,256	69,027
Fixed rate bonds	1,855	-	7	1,862	730
Ipabonds	46,388	54	24	46,466	24,090
Udibonds	2,343	-	(5)	2,338	2,580
Promissories with liquid at yield maturity	6,842	-	(3)	6,839	-
Financial instruments in guarantee:					
Bondes	-	-	-	-	38
Ipabonds	213	-	-	213	87
Investment in subsidiary	14	-	-	14	65
	$ 114,778	$ 101	$ 527	$ 115,406	$ 106,752

As of December 31, 2010, the maturities of these investments are as follows:

Instrument	Less than 1 month	Between one and three months	Over 3 months	No maturity	Total
Development Fund Shares for the securities Market (FDMV)	$ -	$ -	$ -	$ 831	$ 831
Bondes	-	-	4,936	-	4,936
Segregable stock certificates	-	-	2,307	-	2,307
Deposits certificates	-	-	50	-	50
Ipabonds	-	-	2,179	-	2,179
Sale of securities with value date:					
Fixed rate bonds	(88)	-	-	-	(88)
Segregable stock certificates	(50)	-	-	-	(50)
Ipabonds	(747)	-	-	-	(747)
Restricted financial instruments:					
Bondes	48,256	-	-	-	48,256
Fixed rate bonds	1,862	-	-	-	1,862
Ipabonds	46,466	-	-	-	46,466
Udibonds	2,338	-	-	-	2,338
Promissories with liquid yield at maturity	6,839	-	-	-	6,839
Financial instruments held as collateral:					
Ipabonds	-	-	213	-	213
Investments from subsidiaries	14	-	-	-	14
	$ 104,890	$ -	$ 9,685	$ 831	$ 115,406

Available for sale securities:

	2010				2009
Instrument	Acquisition cost	Accrued interest	Valuation	Book value	Book value
Sovereign debt	$ 148	$ 3	$ 8	$ 159	$ 395
Obligations and other titles	122	3	4	129	-
	$ 270	$ 6	$ 12	$ 288	$ 395

The periods to which these investments are agreed to December 31, 2010 at cost of acquisition, are as follows:

Instrument	Over 1 year
Sovereign debt	$ 159
Obligations and other titles	129
	$ 288

Held to maturity securities:

Medium and long-term securities -

Instruments	2010 Acquisition cost	2010 Accrued interest	2010 Book value	2009 Book value
Prides convertible bonds	$ 3	$ -	$ 3	$ 3
Fixed rate bonds	-	-	-	190
Stock certificates	901	18	919	1,244
Segregable stock certificates	-	-	-	9,750
Deposit certificates	1,810	5	1,815	1,815
Sovereign debt	795	24	819	1,040
Debentures and other securities	379	1	380	539
Udibonds	9,627	933	10,560	3,381
Restricted financial instruments:				
Fixed rate bonds	8,481	409	8,890	9,048
Segregable stock certificates	9,258	751	10,009	-
Udibonds	362	35	397	7,621
Total	$ 31,616	$ 2,176	$ 33,792	$ 34,631

Instruments	2010 Acquisition cost	2010 Accrued interest	2010 Book value	2009 Book value
Less than a year:				
Stock certificates	$ -	$ -	$ -	$ 150
Obligations and other titles	69	1	70	151
Sovereign debt	148	6	154	264
Restricted financial instruments				
Fixed rate bonds	8,481	409	8,890	-
Segregable stock certificates	9,258	751	10,009	-
Udibonds	362	35	397	-
	18,318	1,202	19,520	565
More than a year:				
Prides convertible bonds	3	-	3	3
Fixed rate bonds	-	-	-	190
Stock certificates	901	18	919	1,094
Segregable stock certificates	-	-	-	9,750
Deposit certificates	1,810	5	1,815	1,815
Sovereign debt	647	18	665	776
Debentures and other securities	310	-	310	388
Udibonds	9,627	933	10,560	3,381
Restricted financial instruments:				
Less than a year:				
Fixed rate bonds	-	-	-	9,048
Udibonds	-	-	-	7,621
	13,298	974	14,272	34,066
Total	$ 31,616	$ 2,176	$ 33,792	$ 34,631

For 2010, interest income for investments in securities amounted to $2,170, the surplus on valuation amounted to $34 and the gain on trading securities amounted to $882.

8. Repurchase and resale transactions

At December 31, 2010 and 2009, the repurchase and resale transactions reported by the Institution are detailed as follows:

Instrument	2010 Received as collateral.	2010 Collateral Collateral received and sold or pledged	2010 Diference	2009 Received as collateral.	2009 Collateral Collateral received and sold or pledged	2009 Diference
Government securities						
Cetes	$ -	$ -	$ -	$ 551	$ 98	$ 453
Stock certificates	1,750	1,750	-	1,289	1,289	-
Bondes	6,210	6,210	-	26,914	26,914	-
Fixed rate bonds	19,554	19,554	-	9,879	9,879	-
Ipabonds	5,920	5,920	-	9,932	9,932	-
Segregable stock certificates	1,726	1,726	-	833	833	-
	35,160	35,160	-	49,398	48,945	453
Banking securities						
Promissories with liquid yield at maturity	-	-	-	2,001	2,001	-
	-	-	-	2,001	2,001	-
Debentures and other securities						
Stock certificates	350	350	-	500	500	-
	350	350	-	500	500	-
	$ 35,510	$ 35,510	$ -	$ 51,899	$ 51,446	$ 453

Instrument	2010 Creditors from repurchase agreements	2009 Creditors from repurchase agreements
Government securities		
Bondes	$ 48,157	$ 68,861
Fixed rate bonds	10,844	9,919
Segregable stock certificates	9,903	-
Udibonds	2,740	10,294
Ipabonds	46,433	24,096
Total	118,077	113,170
Banking securities		
Promissories with liquid yield at maturity	6,842	-
	6,842	-
	$ 124,919	$ 113,170

As of December 31, 2010, the result of the interest income and expense was $7,792 and $7,386, respectively, in accordance with the Commission, rules are recorded in the statement of income.

Most of the repurchase and resale transactions are agreed to within 1 to 180 days.

9. Transactions in securities and derivatives

At December 31, 2010 and 2009, the Institution holding the derivative transactions as described below:

For trading purposes:

	2010			
	Asset balance	Liability balance	Debit balance	Credit balance
Long-term futures	$ 39	$ 41	$ -	$ 2
Short-term futures	5,829	5,829	-	-
Valuation of futures	(26)	(4)	-	22
	5,803	5,825	-	22
Swaps	5,041	5,061	-	20
Total	$ 10,883	$ 10,927	$ -	$ 44

For hedging purposes:

	2010			
	Asset balance	Liability balance	Debit balance	Credit balance
Swaps	$ 2,221	$ 1,812	$ 409	$ -

For trading purposes:

	2009			
	Asset balance	Liability balance	Debit balance	Credit balance
Long-term futures	$ 80	$ 80	$ -	$ -
Swaps	5,035	5,051	-	16
Total	$ 5,115	$ 5,131	$ -	$ 16

For hedging purposes:

	2009			
	Asset balance	Liability balance	Debit balance	Credit balance
Swaps	$ 657	$ 427	$ 230	$ -

Futures and forwards

For trading purposes

		2010				
		Sale		Purchase		
Operation	Underlying	Contract value	Receivable	Contract value	Payable	Book balance
Futures	IPC	$ 39	$ 39	$ 41	$ 41	$ (2)
Forwards contracts	U.S. Dollars	5,803	5,803	5,825	5,825	(22)
Total		$ 5,842	$ 5,842	$ 5,866	$ 5,866	$ (24)

		2009				
		Sale		Purchase		
Operation	**Underlying**	**Contract value**	**Receivable**	**Contract value**	**Payable**	**Book balance**
Futures	IPC	$ 39	$ 39	$ 41	$ 41	$ -

The Institution participates in the Derivatives Mexican Market (MEXDER), through the purchase-sale of interest rate and currency futures, according to an authorization granted by BANXICO.

In the case of U.S dollar-Mexican peso forwards, over-the counter operations or in other markets different than recognized markets, the master agreement for such operation does not stipulate the maintenance of guarantees. In any case, penalties are applied to the defaulting counterparty, over the amounts in Mexican pesos or U.S dollars depending on the position of the operation. In addition, the mentioned agreement stipulates the applicable law and jurisdiction which should be involved to solve any discrepancies in the flows of currencies, if necessary.

Swaps:

For trading purposes:

	2010			
Underlying	**Contract value pesos**	**Receivable**	**Payable**	**Net position**
Interest rate	$ 12,960	$ 5,041	$ 5,061	$ (20)

	2009			
Underlying	**Contract value pesos**	**Receivable**	**Payable**	**Net position**
Interest rate	$ 20,840	$ 5,035	$ 5,051	$ (16)

For hedging purposes:

	2010			
Underlying	**Contract value pesos**	**Receivable**	**Payable**	**Net position**
Interest rate	$ 13,260	$ 2,221	$ 1,812	$ 409

	2009			
Underlying	**Contract value pesos**	**Receivable**	**Payable**	**Net position**
Interest rate	$ 14,354	$ 657	$ 427	$ 230

Options:

For hedging purposes:

Underlying	2010 Contract value pesos	Receivable	Payable	Net position
Interest rate	$ 14	$ -	$ -	$ -

Underlying	2009 Contract value pesos	Receivable	Payable	Net position
Interest rate	$ 30	$ -	$ -	$ -

The Exchange and interest rate future and forward transactions executed by the Institution headquarters in Mexico City, are for handling its own positions in order to obtain profits, as well as to provide liquidity to the MEXDER by carrying out constant operations in it.

In the case of U.S dollar-peso forward contracts executed for intermediation purposes, the fair value represents the amount that both parties agree to exchange, considering that both maintain common sources of information on the principal financial indicators that affect the prices for these types of derivatives.

The difference between the fair value in the contract and the forward price stipulated, multiplied by the amount of the underlying instrument and discount at the respective date, represents the unrealized gain or loss according to the financial conditions prevailing at the time of execution of such transaction. The fair value is determined by the prevailing banking interest rate used for interbank transactions that are carried out in Mexico and applied by the price vendor, as well as rates that are used in the United States.

The Institution performs various analytics on the underlying markets of derivative instruments negotiated, in order to determine and outline implied risks for the Institution, through the risk committee known as *Comite de Administracion Integral de Riesgos* (CAIR, or Risk Administration Committee).

The benefit costs, and valuations of futures transactions and forward contracts are recognized in the foreign exchange accounts and gains or losses in market value, and are presented in the intermediation result caption in the statements of income.

Future trading and forward contracts involve recovery risks in case of contractual fluctuations. In order to reduce risks when trading these instruments, the Institution maintains offset positions.

As of December 31, 2010 and 2009, the efficiencies/inefficiencies recorded as a result of Criteria B-5 “Derivados y Operaciones de Cobertura” of the Commission and NIFC-10 “Instrumentos Financieros Derivados y Operaciones de Cobertura”, are as follows:

Swaps designated as fair value hedges (application to income):

Underlying item	2010 Amount valuation	2009 Amount valuation
Interest rate		
Bankers´acceptances	$ 36	$ 17
Stock certificates	10	5
Notes with interest payable at maturity	7	-
	$ 53	$ 22

Trading Swaps (application to income):

	2010	2009
Interest rate	$ (20)	$ (15)

The adjustments to book value for interest rate risk hedge financial derivatives transactions with financial assets and liabilities, due to the application of the Criteria B-5 “Derivatives and hedge transactions", issued by the Commission, as of December 31, 2010 and 2009, are detailed below:

Concept	2010 Assets	2010 Liabilities	2009 Assets	2009 Liabilities
Bank acceptances	$ -	$ 158	$ -	$ (17)
Stock certificates	-	(4)	-	(5)
Certificates of deposit	-	(3)	-	-
Credit	102	-	-	-
Total	$ 102	$ 151	$ -	$ (22)

Administration of policies for using financial derivatives

The policies of the Institution allow for the use of derivatives for hedging and/or trading purposes. The principal objectives in operating these products are to hedge risks and generate revenues that enhance the Institution's profitability.

The objectives and policies related to the operation of these instruments are contained in the Risk management regulatory and operational manuals.

The instruments that the Institution uses are rate and foreign exchange swaps, IPC and TIIE futures, rate options and exchange-rate forwards which, depending on the portfolios, may support hedging or trading strategies.

The markets in which derivatives are traded are money markets, foreign exchange markets and equity markets, and the eligible counterparties are Mexican and foreign banks.

Authorization processes and levels

Control processes, policies and authorization levels for the derivatives operation are established within the Comprehensive Risk Management Committee, whose functions include the approval of:

a. The specific limits for discretionary risks, when it has powers delegated from the Board of Directors to do so, as well as tolerance levels in relation to nondiscretionary risks.

b. The methodology and procedures to identify, measure, oversee, limit, control, report and disclose the different types of risk to which the Institution is exposed, as well as their eventual modifications.

c. The models, parameters and scenarios which must be used to carry out the evaluation, measurement and control of risks proposed by the Comprehensive Risk Management Unit, which must be in conformity with the technology used by the Institution.

d. The methodologies for the identification, valuation, measurement and control of the risks of the new operations, products and services which the Institution intends to offer in the market.

e. The corrective measures proposed by the Comprehensive Risk Management Unit.

f. The assessment of the aspects of Comprehensive Risk Management referred to in article 77 of the Sole Circular for its presentation to the Board of Directors and the Commission.

g. The Comprehensive Risk Management Manuals, based on the objectives, guidelines and policies established by the Board of Directors, as referred to in article 15, final paragraph of the Prudential provisions for comprehensive risk Management applicable to credit institutions.

All the new products or services operated under a business line are approved by a Committee in accordance with the powers granted by the Board of Directors.

Independent reviews

The Institution is under the supervision and oversight of the Commission and BANXICO, which control is exercised through follow-up processes, inspection visits, information requests and documentation and delivery of reports. Furthermore, periodic reviews are performed by the Internal and External Auditors.

Generic description of valuation techniques

Financial derivatives are valued at fair value, in accordance with the accounting regulations established in the Provisions issued by the Commission and the terms of the specific standards contained in Criteria B-5.

Valuation methodology is as follows:

1. Trading purposes- There is a structure of operational and regulatory manuals which establish the valuation methodologies used.

2. Hedging purposes- There is a structure of operational and regulatory manuals which establish the valuation methodologies used.

3. Reference variables- Those parameters used by agreement as part of market practices are applied (i.e., rates, exchange rates, prices, etc.)

4. Valuation frequency- The valuation of position instruments is made on a daily basis.

Management of internal and external liquidity sources which might be used to handle requirements related to financial derivatives

The resources are obtained through the National Treasury and the International Treasury (London).

Changes in exposure to identified risks, contingencies and known or expected events in financial derivatives.

Periodic stress tests and back testing are performed to estimate the impact on the derivatives positions and statistically validate that the market risk measurement models provide results in accordance with their exposure to market variability, which must be within the parameters authorized by the Comprehensive Risk Management Committee.

The methodology currently used to prepare the stress measurement report consists of calculating the value of the current portfolio, with the capacity to apply the changes in the risk factors that occurred in:

- Tequila Effect (1994)
- Asian Crisis (1998)
- Twin Towers (2001)
- BMV Effect (2002)
- Effect on real rates (2004)

The back testing is based on the daily generation of the following information:

1. The valuation of the investment portfolio on day t

2. The VaR (Value at Risk) of the investment portfolio with a one-day time horizon and a confidence level of 97.5% (VaR).

3. The valuation of the portfolio with the new risk factors of day t+1

During 2010, the number of closed financial derivatives that agreed and matured, was as follows:

Instrument	Agreed	Matured
Swaps	30	5
Foreign exchange forwards	80	78

Formal documentation of the hedges

To comply with applicable regulations in derivatives and hedge operations (Bulletin B-5 issued by the Commission), the Institution has a hedging file, which includes the following information:

1. File cover page
2. Hedge authorization
3. Strategy diagram
4. Evidence of prospective tests of hedge effectiveness
5. Evidence of execution of the derivative
6. Detail of the primary position covered by a hedge
7. Confirmation of the derivative

Sensitivity analysis

A sensitivity analysis is performed daily through different measurements, such as:

- **Duration**-There are mainly two types of duration with different meanings:

    1. Macaulay Duration: This is the weighted average maturity of the current values of each flow, where the weighting coefficients are the time in years up to the payment of the respective flow.
    2. Modified Duration: This is the percentage variation of the bond price due to small variations in the market interest rate.

- **Convexity**- This is the variation in the slope of a curve in relation to a dependent variable or, that is the same thing, the change in duration due to changes in rates.

- **Greek** (sensitivity measures for options, except interest rate options):

    1. Delta: Sensitivity of the price of the options to the price of the underlying of the option.
    2. Theta: Sensitivity of the price of the options to the time variable.
    3. Gamma: Sensitivity of the second degree of the price of the option to the underlying of the option.
    4. Vega: Sensitivity of the price of the option to the volatility used for its valuation.
    5. Rho: Sensitivity of the price of the option to changes in the interest rate.

- **Beta**-This is the measurement of the systematic risk of an action.

This analysis reflects the instances which define the operating strategy of derivatives in financial markets and their traders, in order to regulate their treatment in risk-taking with these instruments.

10. Loan portfolio, net

As of December 31, 2010 and 2009, the loan portfolio consists of the following:

	2010	2009
Current loan portfolio		
Commercial	$ 12,304	$ 7,426
Financial entities	84,206	71,627
Consumer	2	3
Mortgage loans	186	192
Government entities	10,713	11,847
Federal goverment´s financial agent	15,360	19,991
	122,771	111,086
Past due loan portfolio		
Commercial	53	55
Financial entities	73	48
Consumer	4	4
Mortgage loans	21	20
	151	127
Loan portfolio	$ 122,922	$ 111,213

The loan portfolio by currency of origin as of December 31, 2010, is comprised as follows:

	Current	Past due
Currency	$ 104,726	$ 148
Foreign currency	18,045	3
	$ 122,771	$ 151

The loan portfolio by currency of origin as of December 31, 2010, is comprised as follows:

	Current	Past due
Currency	$ 88,925	$ 124
Foreign currency	22,161	3
	$ 111,086	$ 127

The credits granted as Financial Broker correspond to financing granted to entities of the federal government with funds obtained from international organizations for that specific purpose, and are included in the loans to government entities.

The credits to financial entities are granted to banking and nonbanking institutions, through the discounting of documents payable by corporations and individuals engaged in business activities.

As of December 31, 2010, the balance of the past-due portfolio for a total of $151, from the date it was classified as past-due, is comprised as follows:

	Principal and interest	Amount	Term
Commercial	$ 53	$ 1	181 a 365 days
		52	Over 2 years
Financial entities	73	1	181 a 365 days
		72	Over 2 years

	Principal and interest	Amount	Term
Consumer	4	1	1 a 180 days
		3	Over 2 years
Mortgage loans	21	3	1 a 180 days
		1	181 a 365 days
		17	Over 2 years
	$ 151	$ 151	

Interest and commissions of the loan portfolio at December 31, 2010 and 2009, are comprised as follows:

	2010		
	Interest	Commissions	Total
Commercial	$ 752	$ -	$ 752
Government entities	661	2	663
Federal government´s financial agent	535	17	552
Financial entities	4,390	42	4,432
Consumer	1	-	1
Mortgage loans	5	-	5
	$ 6,344	$ 61	$ 6,405

	2009		
	Interest	Commissions	Total
Commercial	$ 518	$ 3	$ 521
Government entities	349	1	350
Federal government´s financial agent	1,098	27	1,125
Financial entities	3,672	29	3,701
Consumer	1	-	1
Mortgage loans	11	-	11
	$ 5,649	$ 60	$ 5,709

The effect due to the suspension of the accrued interest in the past due portfolio, resulted in a decrease of $15 in comparison to 2009.

As of December 31, 2010 and 2009, the balance of restructured credits is comprised of the following:

	2010		
	Current	Past due	Total
Commercial	$ 624	$ 2	$ 626
Financial entities	115	7	122
Mortgage loans	3	3	6
	$ 742	$ 12	$ 754

	2009		
	Current	Past due	Total
Commercial	$ 652	$ 3	$ 655
Financial entities	168	-	168
Mortgage loans	3	2	5
	$ 823	$ 5	$ 828

In June 2010 the SHCP authorized the Institution to early terminate the FINAPE (Financing Agreement for the Agricultural and Fishing Sector) Program. As a result, the only subsidy granted this year was in March 2010; also, in July the resources for the subsidy that the Institution had collected for the support provided in March were repaid to the federal government. The balance of the portfolio subject to Bank Debtor Programs was $6.

At December 31, 2010 and 2009, the percent concentration of the portfolio by sector is as follows:

	2010 %	2009 %
Federal government	6.23	10.37
IPAB	6.35	7.72
Other private financial brokers	37.35	36.06
Multiple banking	31.24	28.37
Decentralized public agencies and private companies	8.66	10.56
Domestic companies	10.02	6.70
Private parties	0.15	0.22
	100.00	100.00

In conformity with Criteria B-6, of the general rules applicable to credit institutions, all commercial credits which are understood as impaired portfolio, are those which, based on current information and events, as well as the review process of such credits, there is a considerable likelihood that both, the principal and interest, may not be entirely recovered as set forth in the agreement. Both the current portfolio and nonperforming portfolio may be identificated as impaired portfolio.

As of December 31, 2010 and 2009, impaired commercial portfolio is recognized as shown below:

	2010			
	Degree of risk			Reserve
	D	E	Total	D
Current	$ 1	$ 105	$ 106	$ 105
Past-due	-	106	106	106
	$ 1	$ 211	$ 212	$ 211

	2009			
	Degree of risk			Reserve
	D	E	Total	created
Current	$ 7	$ 732	$ 739	$ 419
Past-due	9	76	85	82
	$ 16	$ 808	$ 824	$ 501

11. Allowance for loan losses

According to the Credit Portfolio Rating Rules applicable to Development Banking Institutions, the credit portfolio due from the Federal Government and the portfolio of wholesale lending operations through development banking institutions, are not subject to the creation of preventive provisions since these entities assume the credit risk. The credit portfolio and that of the contingent operations recorded in memorandum accounts subject to evaluation are evaluated based on the balances at the end of each quarter of the year. The provision for credit risk recorded as of December 31, 2010 and 2009, is based on the rating of the portfolio balances at December 31 of those same years, respectively, as follows:

As of December 31, 2010:

Degree of risk		Amount of liabilities	Estimate of the provision % reserve		Amount
A	$	122,021	0.00 – 0.99	$	725
B		13,807	1.00 – 19.99		1,041
C		487	20.00 – 59.99		194
D		11	60.00 – 89.99		9
E		243	90.00 – 100.00		243
Portfolio qualifying		136,569			2,212
Less: Counter-guarantees received in cash		-			21
		136,569			2,191
Portfolio excluding:					
Federal government		15,522			-
Additional reserve		-			50
	$	152,091		$	2,241

Of the rated portfolio, was reduced $21 from the commercial portfolio rated with E risk, for which the pertinent reserve was not created since the Institution has collateral received in cash. The foregoing is presented as a loan portfolio in the respective risk weight in the accounting records.

As of December 31, 2009:

Degree of risk		Amount of liabilities	Estimate of the provision % reserve		Amount
A	$	109,585	0.00 – 0.99	$	625
B		10,374	1.00 – 19.99		802
C		800	20.00 – 59.99		256
D		16	60.00 – 89.99		11
E		494	90.00 –100.00		494
Portfolio qualifying		121,269			2,188
Less: Counter-guarantees received in cash		-			4
		121,269			2,184
Portfolio excluding:					
Federal government		20,220			-
National Banking Institutions		-			100
Additional reserve	$	141,489		$	2,284

The allowance for loan losses includes $3 that correspond to the total amount of the past due interest as of December 31, 2010 and 2009.

The movements of the allowance for loan losses as of December 31, 2010 and 2009, are as follows:

		2010		2009
Specific estimates:				
Loan portfolio -				
Commercial	$	334	$	144
Consumer		4		4
Mortgage loans		18		18
Financial entities		1,760		1,926
Government entities		60		71
		2,176		2,163
Contingent portfolio -				
Granted guarantees		15		21
Additional estimates		50		100
	$	2,241	$	2,284

Movements in the allowance for loan losses are as follows:

	2010	2009
Balance January 1°	$ 2,284	$ 1,974
Increments:		
Constitution reserves for loan losses	960	957
	3,244	2,931
Applications:		
Discounts in recovering debts	10	32
Cancellation of excess reserves	987	595
Credits transferred to suspense accounts	1	17
Splippage of the foreign currency reserve	5	3
Balance at December 31	$ 2,241	$ 2,284

12. Other receivable accounts, net

As of December 31, 2010 and 2009, the other receivables, are as follows:

	2010	2009
Loans to institution personnel	$ 1,984	$ 1,982
Clearing accounts	117	16
Other debtors	301	307
Receivables for commissions on current trading activities	119	58
Other receivables of subsidiaries	58	113
Estimates for write-offs of other receivables	(135)	(138)
	$ 2,444	$ 2,338

13. Foreclosed and repossessed assets

As of December 31, 2010 and 2009, repossessed assets consist of the following:

	2010	2009
Real property	$ 74	$ 73
Securities	19	20
	93	93
Estimate for write-offs	(87)	(87)
Total	$ 6	$ 6

Write-offs of foreclosed and repossessed assets amounted to $2 in 2010 and $1 in 2009.

In conformity with the general provisions applicable to the credit institutions, additional reserves have been recognized for holding assets settled through legal proceedings and out-of-court proceedings or received as payment in kind.

14. Investments in equity securities

At December 31, 2010 and 2009, investments in equity securities are summarized as follows:

	2010	2009
Corporación Andina de Fomento	$ 506	$ 520
Shares of other companies	14	12
	520	532
Shares of other associated companies (of subsidiary companies)	1,700	1,838
	$ 2,220	$ 2,370

15. Other investments

Other permanent investments are included as follows:

	2010	2009
Other investments:		
Fideicomiso Nafin Riesgo Crediticio	$ 4,453	$ 3,559
Fideicomiso al Mercado Intermedio de Valores	3	3
Fideicomiso asistencia técnica en programas de financiamiento PYME	19	19
Fideicomiso patronato del centro de diseño de México	16	16
Fideicomiso eurocentro Nafin-México	6	8
	$ 4,497	$ 3,605

16. Term deposits

As of December 31, 2010 and 2009, the maturities of these instruments are as follows:

	2010	2009
Less than one year	$ 116,388	$ 116,914
At five years	800	-
At ten years	193	40
At twenty years	226	226
	117,607	117,180
Unpaid accrued interest	1,151	988
	$ 118,758	$ 118,168

17. Bank bonds

The balance of this account is comprised as follows:

	Maturity	2010	2009
Stock certificates (a)	2013 y 2014	$ 7,000	$ 2,000
Zero coupon bonds	2010	-	2
		7,000	2,002
Unpaid accrued interest		20	52
		$ 7,020	$ 2,054

(a) With regard to 2010, there were two issues both with a starting date of December 10, 2010: the first for 45 million securities and the other for 25 million securities at par value of MX$100 each instrument, maturing on December 6, 2013 and December 4, 2014, respectively, with a yield of 4.855% and 4.905%, respectively.

(b) This refers to an issue of 20 million instruments with a face value of MX$100 each, with a starting date of September 20, 2005 and maturing on September 14, 2010, with a return of 8.77% upon maturity.

Returns on these instruments reference CETES discount rates, the Average Interbank Interest Rate (AIIR) and the Equilibrium Interbank Interest rate (EIIR).

18. Securities placed abroad

The current balance of placements of securities made by the Institution abroad is included in this caption and is comprised by original currency as follows:

	2010	
	Amount in foreign currency	**Equivalent in Mexican pesos**
U.S. dollars	778	$ 9,607
		$ 9,607

	2009	
	Amount in foreign currency	**Equivalent in Mexican pesos**
U.S. dollars	567	$ 7,404
Euros	50	946
		$ 8,350

As of December 31, 2010 and 2009, the maturity of securities with a term of less than a year amount to $9,607 and $8,350, respectively.

19. Interbank loans and other loans

Consists of loans received from foreign financial institutions, at preferential or current market rates. An analysis is as follows:

	2010	**2009**
Multinational and governmental agencies:		
World Bank	$ 7,423	$ 8,379
Banco de Mexico	-	1,307
Inter-American Development Bank (BID)	8,998	13,227
Other	80	99
	16,501	23,012
Foreign bank institutions	341	883
Domestic bank institutions	1,371	1,337
Other loans	327	454
Unpaid accrued interest	128	166
	$ 18,668	$ 25,852

As of December 31, 2010 and 2009, the maturity of loans with a term of less than a year amount to $11,095 and $7,247, respectively.

At December 31, 2010, Interbank loans and other loans are summarized as follows:

				Balances	
Currency	Financial institution	Rate	Term	Foreign currency	Currency
Mexican pesos	ABN Amro Bank, S.A.	4.2	3 days	-	$ 212
	Banco Autofin México, S.A.	4.2	3 days	-	14
	Banco Multiva, S.A.	4.2	3 days	-	20
	Banco Nacional de Comercio Exterior, S.N.C.	4.5	3 days	-	209
	Banco Ve por Más, S.A.	4.2	3 days	-	21
	Banco Wal Mart de México, S.A.	4.2	3 days	-	40
	HSBC, S.A.	4.5	3 days	-	4
	JP Morgan, S.A.,	4.3	3 days	-	422
	Scotia Bank Inverlat, S.A.	4.5	3 days	-	10
	Federal Government	CETES 28 days	15 years	-	67
					1,019
U.S.dollars	Banco Nacional de Comercio Exterior, S.N.C.	0.32	4 days	20.0	247
	Banco Nacional de Comercio Exterior, S.N.C.	0.75	7 years	13.9	172
	Bank of America N.T.S.A.	1.04	25 years	0.1	1
	Instituto de Crédito Oficial de España	1.25	30 years	6.6	81
	Instituto de Crédito Oficial de España	1.5	30 years	4.5	56
	Nordic Investment Bank	0.91	10 years	1.5	19
	Nordic Investment Bank	1.11	10 years	4.0	49
	Federal Government	Libor 3 months	15 years	11.9	147
	Federal Government	Libor 3 months	15 years	9.2	113
					885
Euros	Natexis Banque	2.0	30 years	8.1	135
					135
Interest					2
	Total				$ 2,041
Financial agency					
U.S.dollars	BID	4.0986	12 years	100.0	1,235
	BID	2.29	15 years	125.0	1,544
	BID	2.67	20 years	15.1	186
	BID	3.115	20 years	15.5	191
	BID	3.186	20 years	15.8	195
	BID	3.405	20 years	38.1	470
	BID	3.776	20 years	90.8	1,121
	BID	4.032	20 years	172.5	2,130
	BID	4.144	20 years	138.5	1,710
	BID	2.29	21 years	5.9	73
	BID	3	25 years	0.5	7

Currency	Financial institution	Rate	Term	Balances Foreign currency	Currency
	World Bank	4.7954	9 years	0.8	10
	World Bank	3.2841	10 years	505.1	6,237
	World Bank	4.4476	15 years	95.2	1,176
					16,285
Euros	BID	3.42	25 years	8.2	136
					136
Special drawing rights	FIDA	1.1	15 years	0.3	5
	FIDA	1.1	18 years	3.9	75
					80
Interest					126
					16,627
	Total				$ 18,668

The unused lines of credit represent the lines of credit granted to the Institution, not exercised at the closing, detailed as follows:

	2010	2009
Banco de México	$ 447	$ 454
Kreditanstal Fur Wideraraufbau Franfurt	533	383
Fondo Internacional de Desarrollo Agrícola	-	148
	$ 980	$ 985

20. Other accounts payable

This caption is comprised of the following reserves and provisions:

	2010	2009
Sundry creditors	$ 2,207	$ 2,310
Income taxes payable	479	379
Statutory employe profit sharing to pay	89	51
Provisions for other items	137	117
Clearing accounts	291	4
Guarantee deposits	24	9
Other payable accounts of subsidiaries	14	19
	$ 3,241	$ 2,889

21. Labor obligations

According to the General Labor Conditions (GLC), all employees that are 65 years old and have 30 years of services in the Institution are entitled to a lifetime pension upon retirement. In addition, employees who reach 65 years of age and 5 years seniority will be entitled to a pension equal to a proportion of the average net monthly salary received during the last year of services, which results from multiplying the number of years of services rendered, by 0.0385. The Institution reserves the right to pension those employees who are 60 years old or who have provided 26 years of services.

Furthermore, there are Transitory Provisions of the CGT as of August 12, 1994, which establish that workers who entered the Institution before the aforementioned date and who complete 55 years of age and 30 years of service, 60 years of age and 26 years of service or 60 years of age and have five years' seniority will be entitled to a retirement pension under the terms of the aforementioned CGT.

In the event of an unjustified dismissal or termination of the employment relationship, if the person has completed 50 years of age and seniority equal to or more than 16 years, the worker may elect to receive a severance payment or a lifetime pension paid calculated based on the first paragraph of the principal characteristics of the retirement plan.

Transitory Article 5, Subsection a) of the CGT, 2006 revision, establishes that persons who have obtained a pension for disability, physical handicap or retirement on a date before the present revision and those workers who, having entered the Institution before the effective date of this revision and to whom the Defined Benefits Retirement Plan is applied, will still have the right to receive the following additional benefits from the Institution at the time of their retirement:

a. Short-term, medium-term and Special Savings Loans, which will be paid with a charge to administration and promotion expenses at a net guaranteed yield of 18%, of the maximum capacity to be invested, which will be calculated on 41.66% of the net monthly pension multiplied by 72 months, and the available capacity which will be 50% of the net pension less the monthly discounts for the short-term and long-term loans with principal and interest multiplied by 72 months, with a ceiling of 41.66% of the net monthly pension. The Special Savings Loan will generate interest at the annual rate of 1%, which will be withheld by the Institution.

The net periodic cost that affected the results of 2010 and 2009 was $679 and $1,343, respectively.

As of December 31, 2010 and 2009, the labor obligations fund is $5,861 and $5,547, respectively, and is fully invested in an irrevocable trust created in the Institution.

In accordance with NIF D-3 "Employee benefits", the Institution recognized in its financial statements the effect of liabilities for "Other postretirement benefits".At the close of 2010, the net periodic cost recorded in the Institution's results was $517 and the related liability was $6,117.

The summary of the actuarial calculations as of December 31, 2010 is as follows:

Calculation hypothesis

Demographics-

a) Mortality rate: Those shown in the EMSSA Mortality Rate Non-invalids Unisex 2009, for the period prior to retirement and for the retirement period.

b) Disability rates: Product of experience IMSS-1997

c) Turnover rates: Bufete Matemático Actuarial _R.

Below is a table showing some representative values of the demographic tables used:

Age	Mortality EMSSA no Inválidos Unisex 2010	Disability IMSS 97	Turnover BMA R
20	0.001606	0.000760	0.606061
25	0.001828	0.001000	0.112179
30	0.002128	0.001120	0.068027
35	0.002526	0.001290	0.042735
40	0.003078	0.001640	0.027349
45	0.003823	0.000221	0.016340
50	0.004850	0.003470	0.009033
55	0.006280	0.007120	0.003814
60	0.008297	0.000000	0.000000
65	0.011214	0.000000	0.000000

Economic-

The financial hypotheses are shown in the following table:

	2010
Rate of return on assets	7.5%
Discount rate before retirement	7.5%
Rate of wage increase	4.0%
Rate of increase in medical service costs	6.0%
Rate of increase in minimum wage	3.5%
Discounted rate for after retirement	3.5%

Based on the information provided by the Institution, salaries are generally increased in accordance with the minimum wage and it is considered that the rate of salary increase used already includes the salarycareer factor.

Long-term inflation: The long-term inflation considered was 3.5%, based on the results compiled by Banco de México, from the survey on expectations of private sector economic experts, for the month of September 2010.

The private sector economic analysts interviewed by Banco de México estimated annual inflation of 4.33% at the close of 2010, with underlying inflation of 3.84%; the estimated inflation for the period 2011-2014 was 3.68%, and for the period 2015-2018 is estimated at an average of 3.51%.

Furthermore, in the quarterly inflation report published by Banco de México, for the second quarter of 2010, it is estimated that inflation could spike at the close of the year and then drop during 2011 to settle at 3.25% by the end of 2012.

Increase in the cost of medical service: A 6% increase was considered. This was based on a technical study prepared by the AMIS (Asociación Mexicana de Instituciones de Seguros) entitled "Estimated Pricing Levels for Health Services 2009", from which it is inferred that medical inflation is between one and three points above general inflation.

Apart from the aforementioned hypotheses, the following are used for other retirement benefits:

Difference in age of the spouses	When the age of the spouse is unknown, the husband is considered to be three years older and the wife three years younger.
Marital status	When the marital status cannot be ascertained, it is considered that 70% of retiring employees have a spouse covered by the Medical Services Plan of Nacional Financiera, S.N.C.
Participation rate	100% of retiring employees have the right to medical services.

Financing system and instrument

The projected unit credit method was followed in accordance with NIF D-3.

Retirement, Seniority Premium and Other Retirement Benefits

The financing instrument used is a trust fund.

Based on the analysis of the results of the actuarial valuation performed, the following is noted:

The results of the valuation were determined based on the requirements established in NIF D-3, under actuarial principles generally accepted in Mexico, in accordance with the standards of the Code of Ethics of the Association of Actuarial Consultants (AMAC), and the standards of the Mandatory Bulletin for the Actuarial Valuation of Contingent Liabilities of the AMAC.

Retirement

- The liability is only determined for the personnel who participated in the defined benefit plan.
- The defined benefits obligations for the retired personnel as of December 31, 2010 and 2009 are $4,880 and $4,355, respectively. This represents an increase of 12.05% due to the change in the mortality table.
- The defined benefits obligations of the active personnel as of December 31, 2010 and 2009 are $1,036 and $1,040, respectively. This represents a decrease due to the early retirements.
- The plan assets as of the valuation date are $5,826, which covers 100% of the obligations of the retired personnel and more than 91.28% of the obligations of the active personnel.
- Net periodic cost for 2010 is $36, plus $110 for early retirements

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- The amount of the accounting reserve at the close of 2010 is $(56).

Seniority Premium

- For purposes of determining the liability for this benefit, all personnel are considered, both those who chose the defined benefit pension plan and those who chose the defined contribution pension plan.
- The actuarial study presents the separation of the seniority premium for retirement benefits and termination benefits; however, the comments will be universal in nature.
- The plan assets at the valuation date are $35.Please note that the financing level of the employees' obligations exceed 100%.
- Net periodic cost for 2010, after recognizing the actuarial (gains)/losses, was determined at $(0.4). No contribution was made by the Institution since the plan assets exceed the defined benefit obligations.
- The amount of the accounting reserve at the close of 2010 is $(4).

Other Retirement Benefits

- To determine the liability for this benefit, all personnel are considered, both those who chose the defined benefit pension plan and those who chose the defined contribution pension plan.
- The defined benefit obligations for retired personnel as of December 31, 2010 and 2009, are $3,695 and $3,026, respectively. This represents an increase of 22% due to the early retirements, a change in the discount rate and plan increase in medical expenses.
- The defined benefit obligations of active employees as of December 31, 2010 and 2009 are $1,004 and $907, respectively. This represents an increase of 10.7% due to the early retirements, a change in the discount rate and the very significant increase in medical expenses in 2010.
- The Institution expected to make retirement benefit savings during 2010 based on the implementation of expense control measures. However, as these savings were not generated, the average per capita cost of the medical service increased from $48 in 2009 to $58 in 2010, a 20.75% increase.
- The plan assets at the valuation date are $3,706, which cover 100% of the obligations of retired employees and 100% of the retired personal and 1% of the obligations of active employees.

- The amount of the accounting reserve at the close of 2010 is $12.

- Net periodic cost at the end of 2010 was $413, which includes the increase in the obligations of retirees due to the change in the mortality table and early retirements in the previous year.

Other Postretirement Benefits (PEA and Loans to retirees)

Calculation hypothesis - Demographics:

a. Mortality rate: Those shown in the EMSSA Mortality Rate Non-invalids Unisex 2009, for the period prior to retirement and for the retirement period.

b. Disability rates: Product of experience IMSS-1997.

c. Turnover rates: Bufete Matemático Actuarial _R.

Below we present a table showing certain representative values of the demographic tables used:

Age	Mortality EMSSA Non-invalid Unisex 2009	Disability IMSS 97	Turnover BMA R
20	0.001606	0.000760	0.606061
25	0.001828	0.001000	0.112179
30	0.002128	0.001120	0.068027
35	0.002526	0.001290	0.042735
40	0.003078	0.001640	0.027349
45	0.003823	0.002210	0.016340
50	0.004850	0.003470	0.009033
55	0.006280	0.007120	0.003814
60	0.008297	0.000000	0.000000
65	0.011214	0.000000	0.000000

Economic

The financial hypotheses are shown in the following table:

	2010
Rate of return on assets	7.50%
Discount rate before retirement	7.50%
Rate of wage increase	4.00%
Rate of increase in minimum wage	3.50%
Rate of increase in pensions	3.50%
Rate of UDIBONOS to 30 years	2.93%

Based on the information provided by the Institution, wages generally are increased in accordance with the minimum wage and it is considered that the rate of salary increase used already includes the wage career.

Long-term inflation: The long-term inflation considered was 3.5%, based on the results compiled by Banco de México, from the survey on expectations of private sector economic experts, for the month of September 2010.

The private sector economic analysts interviewed by Banco de México estimated annual inflation of 4.33% at the close of 2010, with underlying inflation of 3.84%; the estimated inflation for the period 2011-2014 was 3.68%, and for the period 2015-2018 is estimated at an average of 3.51%.

Furthermore, in the quarterly inflation report published by Banco de México, for the second quarter of 2010, it is estimated that inflation could spike at the close of the year and then drop during 2011 to settle at 3.25% by the end of 2012.

Apart from the aforementioned hypotheses, the values of the 30 year Udibonos reported in the offering of October 19, 2010 are used to determine the financial cost of the credits.

Complementing the above, the selection of hypotheses to be used in the actuarial valuation is supported in the document prepared by the Comisión de Principios e Investigación de la Práctica Actuarial de la Asociación Mexicana de Actuarios Consultores, A.C. (AMAC), entitled "Methodologies for the Determination of Hypotheses for Actuarial Valuations of Retirement Plans, Seniority Premium and Severances before and at Retirement (or a date substituting retirement, if there are no retirement plans) and Postretirement Health Benefits", dated July 2009.

Financing system and instrument

In accordance with Financial Reporting Standard D-3 "Employee benefits" (NIFD-3), the Projected Unit Credit Method was used.

This actuarial method considers the benefits accumulated at the valuation date as well as the benefits generated during the plan year and consists of a normal cost and the actuarial obligations which the latter generates.

The normal cost is the present value of a benefit unit which is allocated to a particular year for each of the participants.

The actuarial obligations are the present value of all the accumulated benefits at the valuation date.

Given the above, the financing instrument used is a trust fund.

Calculation bases

The regulations of the benefits valued are established in the General Labor Conditions of Nacional Financiera, S.N.C. (Revision 2006), in Transitory Article 5, subsection a) which literally states:

FIFTH- Those persons who have obtained a pension for disability, physical handicap or retirement on a date prior to the present revision and those workers who, having entered the Institution after the start of the present revision and to whom the Defined Benefit Pension Plan is applied, will continue to have the right to receive the following additional benefits from the Institutions at the time of their retirement:

a) Short-term, medium-term and Special Savings Loans, which will be paid with a charge to administration and promotion expenses at a net guaranteed yield of 18%, of the maximum capacity to be invested, which will be calculated on 41.66% of the net monthly pension multiplied by 72 months, and the available capacity which will be on 50% of the net pension less the monthly discounts for the short-term and long-term loans with principal and interest multiplied by 72 months, with a ceiling of 41.66% of the net monthly pension. The Special Savings Loan will generate interest at the annual rate of 1%, which will be withheld by the Institution.

Based on the analysis of the results of the actuarial valuation performed, please note the following:

The results of the valuation were determined based on the requirements established in NIF D-3, under actuarial principles generally accepted in Mexico, in accordance with the standards of the Code of Ethics of the Association of Actuarial Consultants (AMAC) and the standards of the Mandatory Bulletin for the Actuarial Valuation of Contingent Liabilities of the AMAC.

Please note that the accounting policy chosen by the Institution for the actuarial gains and losses is to recognize them as part of the remaining labor life.

Below is a description of certain important aspects detected in each of the benefits valued.

- The defined benefit obligations for retired employees as of December 31, 2010 and 2009 are $1,800 and $1,677, respectively, representing a 7.31% increase due to the change in the mortality table.

- The defined benefit obligations of the active employees as of December 31, 2010 and 2009 are $914 and $986, respectively.This represents an increase of 7.3% due to the change in the mortality table.

- The plan assets as of December 31, 2010 are $2,411, which do not cover 100% of the obligations of the retired employees.

- Net periodic cost at the end of 2010 is $83.

- The Institution made a contribution for $104.

- The amount of the accounting reserve at the close of 2010 is $(21).

Reconciliation of unrecognized items

As of December 31, 2010, the detail is as follows:

	Pension plan for retirement	Seniority premium (retirement benefits)	Seniority premium (termination benefits)	Other benefits at retirement	Other benefit retirement financing cost of the credits
Past service for initial transition liability/(asset):					
Opening balance	$ -	$ -	$ -	$ -	$ -
Labor cost of past service (PTI)	-	-	-	-	-
Final balance after the event	-	-	-	-	-
Actuarial (gain)/loss					
Actuarial (gain)/loss as of December 31	(58)	1	-	795	457
Net actuarial (gain)/loss	-	-	-	34	24
Unrecognized actuarial (gain)/loss	(58)	1	-	761	433
Actual fund balance*	6,105	19	17	3,978	2,619
Estimated fund	5,676	20	17	3,629	2,397
Actuarial (gain)/loss for fund estimate	(429)	1	-	(349)	(222)
Actual defined benefit obligations	5,916	22	10	4,699	2,715
Estimated defined benefit obligations	5,666	22	12	4,189	2,809
Actuarial (gain)/loss for estimated defined benefit obligations	250	-	(2)	510	(94)
Total actuarial (gain)/loss for the period	(236)	1	(2)	710	117
	-	-	-	-	-
Total actuarial (gain)/loss after the event	382	-	1	272	208
Net actuarial (gain)/loss	146	1	(1)	982	325
Actuarial (gain)/loss in excess of the fluctuation band	-	-	-	512	53
Amortization period	7.30	10.10	-	14.90	7.30
Net actuarial (gain)/loss	-	-	-	34	7

*Actual fund balance as of october 31, 2010 and november and december estimated.

Net periodic cost for 2010

As of December 31, 2010

	Pension plan for retirement	Seniority premium (retirement benefits)	Seniority premium (termination benefits)	Other benefits at retirement	Other benefit retirement financing cost of the credits
Labor cost of current service (CLSA)					
A. Amount at the start of the year	43	1	1	44	41
B. Interest for the year	4	-	-	4	4
C. Total labor cost of current service	47	1	1	48	45
Percentage CLSA of the annualized payroll	17.29%	0.25%	0.14%	11.32%	16.42%
Financial cost (CF)					
A. Defined benefit obligation at the start of the year	5,396	21	11	3,932	2,664
B. Expected payments	348	1	2	181	356
C. Average defined benefit obligations	5,222	21	10	3,842	2,486
D. Financial cost	453	2	1	333	216
Percentage CF of the annualized payroll	166.34%	0.43%	0.21%	79.35%	79.20%
Expected return on plan assets (REAP)					
A. Balance at the start of the year	5,510	20	17	3,126	2,207
B. Expected payments	348	1	2	181	356
C. Recommended annual contribution	36	-	-	145	104
D. Average reserve	5,353	20	15	3,108	2,081
E. Rate of return of the reserve	8.68%	8.68%	8.68%	8.68%	8.68%
F. Expected returns	(465)	(2)	(1)	(270)	(181)
Percentage REAP expected on the annualized payroll	170.52%	0.41%	0.32%	64.19%	66.28%
Amortization for the period					
A. Labor cost of past service					
-Initial transition liability/(asset)	-	-	-	-	-
-Plan amendments	-	-	-	-	-
-Change in methodology	-	-	-	-	-
B. Net actuarial (gain)/loss	-	-	-	34	24
C. Total amortization for the period	-	-	-	34	24
Unpaid percentage cost of the annualized payroll	0.00%	0.00%	0.00%	8.06%	8.72%
Estimated net periodic cost of the start of the year	36	1	-	145	104
Percentage cost of the period of the annualized payroll	13.10%	0.27%	0.03%	34.54%	38.05%
Recognition of past service	-	-	-	-	-
Expected percentage cost of the annualized payroll	-	-	0.00%	-	-
Actuarial (gain)/loss for the period	-	-	(1)	-	-
Expected percentage cost of the annualized payroll	-	-	0.19%	-	-
Effect from severance payment/reductions	-	-	-	-	-
Reconocimiento de:					
A. Efecto por jubilación anticipadas	110	-	-	56	(21)
B. Efecto por cambio de tasas en la OBD de jubilados	-	-	-	21	-
Net periodic cost (CNP)	146	1	(1)	413	83
Percentage CNP of the annualized payroll	53.46%	0.27%	0.17%	98.33%	30.28%

Current status

As of December 31, 2010, the detail is as follows:

	Pension plan for retirement	Seniority premium (retirement benefits)	Seniority premium (termination benefits)	Other benefits at retirement	Other benefit retirement financing cost of the credits
Defined benefits obligations	$ (5,916)	$ (22)	$ (10)	$ (4,699)	$ (2,715)
Plan assets	5,826	19	16	3,705	2,411
Defined benefits obligations in excess of plan assets	(90)	(3)	6	(994)	(304)
Unrecognized past service for initial transition liability/(asset)	-	-	-	-	-
Unrecognized past service for plan amendments	-	-	-	-	-
Unrecognized past service for change in methodology	-	-	-	-	-
Unrecognized actuarial (gain)/loss	146	1	-	982	325
Projected net (liability)/asset	$ 56	$ (2)	$ 6	$ (12)	$ 21

Reconciliation of the accounting reserve

As of December 31, 2010

Balance at the start of the year	$ (56)	$ -	$ (5)	$ 12	$ -
Net periodic cost in accordance with NIF D-3	146	2	(1)	413	83
Contribution made to the fund	(146)	-	-	(413)	(104)
Actual payments charged to the accounting reserve	-	-	-	-	-
Balance at the end of the year	$ (56)	$ 2	$ (6)	$ 12	$ (21)

22. Income taxes

Income tax and Business Flat Tax Law - In 2010, the Institution was subject to the payment of Income Tax (ISR) and, the Business Flat Tax Law (IETU).

ISR is calculated of the rate 30% by considering certain effects of inflation, such as depreciation calculated according to values at constant prices, it is accumulated or it deduced the effect of inflation on certain monetary assets and liabilities is accrued or deducted for the annual adjustment for inflation.

The ISR rate will be 30% for 2010 through 2012 and 28% for 2009. In 2013 it will decrease to 29% and in 2014 will return to its current level of 28%.

IETU applies to the sale of goods, the provision of independent services and granting the temporary use or enjoyment of goods, pursuant to the terms defined by the respective law, less certain authorized deductions. The tax payable is obtained by subtracting credits from losses reported for IETU purposes, credits on investments, wage and personal subordinated service credits and the tax incurred in the year from the tax determined. As a general rule, income, deductions and certain tax liabilities are determined based on cash flows.However, in regard to services for which they pay and collect interest, the Bank, the Brokerage House and the SOFOM use the brokerage margin based on what is earned. The IETU rates are 17.5% in 2010 and 17% in 2009 and thereafter.

Based on its financial projections and according to INIF 8, “Effects of the Business Flat Tax”, the Management determined that in certain it will pay IETU, therefore, it won’t cause ISR in the medium term and only recognizes deferred IETU.

The provision created in results for ISR and IETU is composed as follows:

	2010	2009
Current:		
IETU	$ 350	$ 335
ISR	116	39
	466	374
Deferred:		
ISR	-	(2)
IETU	(32)	(1)
	$ (32)	$ (3)

Reconciliation of the accounting - Tax result- The main items affecting the determination of the Institution and their subsidiaries tax result were the annual adjustment for inflation, provisions, the difference between depreciation and accounting and tax amortization, the difference between the accounting increase of the preventive credit risk estimate and the respective tax deduction.

Penalty interest for purposes of the business flat tax (IETU)- In accordance with the Business Flat Tax Law, the Institution must consider interest as taxable revenue for purposes of this tax as it is accrued, regardless of whether it is collected or not, which applies both to ordinary and penalty interest.

The main concepts considered in determining Deferred IETU as of December 31, 2010 and 2009 are: investments acquired from September to December 2007, and a balance pending to deduct from investments acquired from January 1998 to December 2007 and interestrelated to financial operations due on 2011.

ISR accumulated losses to amortize - The ISR tax accumulated losses may be amortized in the subsequent ten years against ISR tax income, subject to the National Consumer Price Index (NCPI) inflation adjustments, as of the first month of the second part of the year in which the loss occurred, and until the final month of the first half of the year in which the amortization is realized.

At December 31, 2010, tax loss carryforwards, date to that date, are summarized as follows:

Year	Restated amount	Year of expiration
2006	$ 455	2016

The main items included in the tax-deferred accounts are:

	2010		2009	
	ISR	IETU	ISR	IETU
Liabilities				
Valuation of derivative instruments	$ -	$ -	$ -	$ 9
Investment in shares valuation	-	-	106	-
Investments in non-deductible fixed assets	-	311	-	331
Prepaid expenses				
Accounts receivable	-	5	-	7
	-	316	106	347
Assets				
Credit from investment on fixed assets	$ -	$ 9	$ -	$ 10
Deduction from investment on fixed assets	-	6	-	-
Shares	-	-	-	-
Accounts payable	-	2	-	1
Provisions	1	-	1	-
Investment in shares valuation	18	-	-	-
	19	17	1	11
Deferred taxes (net)	$ (19)	$ 299	$ 105	$ 336

(a) As of December 31, 2010, Plaza Insurgentes Sur determined a deferred tax liability which includes an excess provision of $4 from the year 2009 generated by the nondeductible investments.

The reconciliation of the statutory rate of flat tax and the effective rate expressed as a percentage of income before income tax is:

	2010	2009
Statutory rate	17.5%	17.0%
Add (less):		
Financial margin	23.65	40.49
Investment credit	1	(5)
Undistributed earnings of subsidiaries	4	25.72
Other	13.85	30.79
Effective rate	60%	109%

23. Stockholder´s equity

a. Common stock -

Under the terms of the AGREEMENT published by the SHCP in the Federal Official Gazette of June 5, 2009, the increase in the Institution's common stock is established and article 7 of the Organic Regulations is amended, and it is established that the Institution's common stock is $2,390.

Common stock is composed of 31,548,000 Series A Capital Contribution Certificates (CAPs) and 16,252,000 Series B CAPs at a face value of MX $50 each. Series A represents 66% of the Institution's equity, which may only be subscribed by the Federal Government, while Series “B” represents the remaining 34%.

Paid-in capital consists of 15,829,932 Series A CAP´s and 8,154,814 Series B CAP´s at a face value of MX $50 each, whose subscription must fulfill the following requirements:

– Foreign individuals or companies cannot participate directly or indirectly in Series B capital.

– Except for the Federal Government and Common Investment Funds, no individual or company may acquire, through one or more simultaneous or successive operations of any kind, control of Series B CAP´s representing more than 5% of paid-in common stock. Nominal common stock as of December 31, 2010 is $2,390 and ($1,191), and its restated value is $8,211 at the end of the both years.

b. Contributions for future capital increases -

In its meeting of November 25, 2010, the Board of Directors instructed the Institution to take the necessary measures to request from the Federal Government, through the Treasury Department, a capital contribution for $1,650, in order to strengthen its capital and help carry out the Institution's mandate as a Development Bank.

In 2009, the Institution's Organic Law and Organic Regulations were amended to increase common stock to $2,390, for which reason the contributions for future capital increases were reduced by $2,500: $250 in common stock and $2,250 in share sale premium, plus the respective restatement ($95 in total).

As of December 31, 2010 and 2009, its value is $5,150 and $3,500, respectively.

c. Share sale premium -

Refers to payments made by holders of Series B CAP’s. The balance as of December 31, 2010 and 2009 for the premiums paid is $4,366.

d. Capital reserves -

The nominal value of these reserves as of December 31, 2010 and 2009 is $314 and its value at the close of both years is $1,730.

e. Result from previous years-

As of December 31, 2010 and 2009, the account balance is composed as follows:

	2010	2009
Result from adjustment of changes in accounting policies established by the Commission in Circular 1343	$ (2,860)	$ (2,860)
Loss from previous years	(5,051)	(5,621)
Creation of reserves for foreclosed assets	(260)	(260)
Transfer of undocumented contributions	4,467	4,467
Non monetary assets realized	(13)	-
Reserve for pensions, PEA and loans to retirees	(4,310)	(4,310)
	$ (8,027)	$ (8,584)

f. Result from valuation of securities available for sale-

This heading records the adjustments derived from the at-market valuations of securities available for sale. The gain or loss is recorded as realized in results up to the year in which the security is sold or matures.

As of December 31, 2010 and 2009, the result from at-market valuation of securities available for sale is composed as follows:

	2010	2009
Valuation of securities available for sale	$ 12	$ (2)
Total	$ 12	$ (2)

g. Effects from valuation of associated and affiliated companies -

Surpluses or deficits which do not come from operating results of the associated or affiliated companies are recognized in this heading. In 2010, there was an increase in valuation of $156.

h. Legal provisions-

On November 23, 2008, the SHCP published new rules for the capitalization requirements of full-service banks, national credit companies, and development banks, which went into effect as of January 1, 2009. These new capitalization rules establish requirements with specific net capital levels, as a percentage of assets with market and credit risk.In this regard, as of December 31, 2010, there is a level of 14.18%, confirmed by BANXICO.

Cash dividends earned by corporations that reside in Mexico are not subject to withholding, except when they come from accounts other than the Net Tax Income Account (CUFIN).

24. Statement of operations

The main items comprising the consolidated statement of operations of the Institution for 2010 and 2009 are as follows:

Net income-

Concept	2010 Total	Local currency	Foreign currency
Interest from current portfolio			
Commercial activity	$ 749	$ 733	$ 16
Mortgage loans	4	4	-
Govermment entity loans	661	657	4
Federal goverment´s financial agent	535	-	535
Second tier credits	4,386	4,333	53
	6,335	5,727	608
Interest income from past-due portfolio			
Commercial activity	3	3	-
Second tier credits	4	4	-
Consumer loans	1	1	-
Mortage loans	1	1	-
	9	9	-
Interest and yields earned on investment in securities			
Trading	119	119	-
Available for sale	14	3	11
Held to maturity	2,037	1,966	71
	2,170	2,088	82
Interest and yields earned on repurchase agreement operations			
From operations of repurchase agreement	7,792	7,792	-
	7,792	7,792	-
Income for cash and cash equivalents			
Banks	20	-	20
Restricted cash	618	616	2
	638	616	22
Commisions earned on lending transactions (adjustment to yield)			
Commercial credits	61	37	24
	61	37	24
Valuation change income			
Favorable change	148	-	148
	148	-	148
Interest income on subsidiaries			
Other	1	1	-
	1	1	-
Total interest income	$ 17,154	$ 16,270	$ 884
Interest expense			
Interest on term deposits	$ 5,521	$ 5,519	$ 2
Interest on bank bonds	177	145	32
Interest expense on interbank loans and from other agencies	671	65	606
Interest	7,386	7,386	-
Total interest expense	$ 13,755	$ 13,115	$ 640
Financial margin	$ 3,399	$ 3,155	$ 244

Concept	2010 Total	Concept	Total
Intermediation result			
Result on valuation at fair value and decrease on securities at value cost			
Trading securities	$ 34	$ 34	$ -
Derivative instruments for trading purposes	(32)	(9)	(23)
Hedging financial instruments	(3)	(3)	-
	(1)	22	(23)
Result on trading of securities and derivative financial instruments			
Invesment in securities	441	440	1
Trading available for sale	3	-	3
Derivative instruments with trading purposes	(257)	(421)	164
Intermediation result of subsidiaries	438	438	-
	625	457	168
Intermediation result	$ 624	$ 479	$ 145
Other income of operation			
Reversal of excess of allowance for loan losses	$ 987	$ 980	$ 7
Gain on sale of foreclosed assets	4	4	-
Allowance for foreclosed assets	(2)	(2)	-
	$ 989	$ 982	$ 7
Other income and other expenses			
Other	$ 19	$ 19	$ -
	19	19	-
Other income and benefits			
Income from sales of property, forniture and equipment	1	1	-
Income on loans to personnel	40	40	-
Other	144	142	2
Other income from subsidiaries	89	89	-
	274	272	2
Other income	$ 293	$ 291	$ 2
Other expenses			
Other allowance reserves	$ 3	$ 3	$ -
Other	6	6	-
Other losses	1,685	1,685	-
Other expenses at subsidiaries	16	16	-
Other expenses	$ 1,710	$ 1,710	$ -

a) On December 6, 2010, the Institution made the payment of $1,650 as established in official notice number 10.2-B-071 dated November 25, 2010, issued by the Office of the Assistant Secretary of the Treasury Department, in which the Federal Government ordered the payment of a non-tax charge for the sovereign guarantee by the Federal Government for the liabilities contracted by the Institution at the close of October 2010, in accordance with article 26 of the "Federal Law of the Budget and Fiscal Responsibility".

Concept	2009 Total	Local currency	Foreign currency
Interest from current portfolio			
Commercial activity	$ 515	$ 506	$ 9
Mortgage loans	7	7	-
Govermment entity loans	349	321	28
Federal goverment´s financial agent	1,098	-	1,098
Second tier credits	3,671	3,587	84
	5,640	4,421	1,219
Interest income from past-due portfolio			
Commercial activity	3	3	-
Second tier credits	1	1	-
Consumer loans	1	1	-
Mortgage loans	4	4	-
	9	9	-
Interest and yields earned on investment in securities			
Trading	4,550	4,550	
Available for sale	26	26	-
Held to maturity	2,023	2,023	-
	6,599	6,599	-
Interest and yields earned on repurchase agreement operations			
From operations of repurchase agreement	4,796	4,796	-
	4,796	4,796	-
Income for cash and cash equivalents			
Banks	90	-	90
Restricted cash	722	713	9
	812	713	99
Commisions earned on lending transactions (adjustment to yield)			
Commercial credits	60	29	31
	60	29	31
Valuation change income			
Favorable change	2,057	2,057	-
	2,057	2,057	-
Interest income on subsidiaries			
Other	8	8	-
	8	8	-
Total interest income	$ 19,981	$ 18,632	$ 1,349
Interest expense			
Interest on term deposits	$ 5,819	$ 5,818	$ 1
Interest on bank bonds	257	178	79
Interest expense on interbank loans and from other agencies	1,333	113	1,220
Interest in operating reporting income	6,562	6,562	-
Income in changes for valorization	215	-	215
Premium expense	4,157	4,157	-
Total interest expense	$ 18,343	$ 16,828	$ 1,515
Financial margin	$ 1,638	$ 1,804	$ (166)

Concept	2009 Total	Local currency	Foreign currency
Intermediation result.-			
Result on valuation at fair value and decrease on securities at value cost			
Trading securities	$ 25	$ 26	$ (1)
Derivative instruments for trading purposes	38	1	37
Hedging financial instruments	(6)	(6)	-
Collateral sold	171	171	-
	228	192	36
Result on trading of securities and derivative financial instruments			
Trading	(330)	(331)	1
Derivative instruments with trading purposes	537	316	221
Intermediation result of subsidiaries	115	115	-
	322	100	222
Intermediation result	$ 550	$ 292	$ 258
Other income of operation			
Recoveries from credit portfolio	$ 58	$ 58	$ -
Reversal of excess of allowance for loan losses	595	595	-
Gain on sale of foreclosed assets	2	2	-
Allowance for foreclosed assets	(1)	(1)	-
	654	654	-
Other income and other expenses			
Recoveries			
Taxes	$ 4	$ 4	$ -
Other	25	25	-
	29	29	-
Other income and benefits			
Income on loans to personnel	41	41	-
Other	1,041	1,041	-
Other income from subsidiaries	86	86	-
	1,168	1,168	-
Other income	$ 1,197	$ 1,197	$ -
Other expenses			
Other allowance reserves	$ 1	$ 1	$ -
Other	130	130	-
Other losses	25	25	-
Other expenses at subsidiaries	34	34	-
Other expenses	$ 190	$ 190	$ -

25. Commitments and contingencies

Guarantees and sureties

As of December 31, 2010 and 2009, the Institution has granted sureties for $1,026 and $1,876, respectively, which represent a contingent risk if the secured debtor does not settle his debt with the creditor institution. In 2010 and 2009, no losses on sureties were recorded in results of the year; however, when a secured borrower has not timely repaid his debt, the Institution has granted credits to fulfill its obligation. In 2010, no credits of this kind were granted.

Contingencies

On November 13, 2008, the Tax Administration Service (SAT), through the Central Audit Administration for the Financial Sector and Sundry Large Taxpayers, notified the Institution in official notice 900 06 03-2009-18633, of an unpaid tax liability of $15 for the year 2004, which includes unpaid income tax of $7, plus the restatement, fines and surcharges as of that date. Nacional Financiera accepted the nonpayment of income tax for $8.

On August 9, 2009, the Institution filed an action for annulment with the Metropolitan Regional Camber of the Federal Tax Court.

Furthermore, on July 23, 2009 the Central Administration for Large Taxpayers, an agency of the Tax Administration Service, notified the Institution in official notice 900-04-04-2009-3082 of unpaid tax liabilities for the years 2005 and 2003 in the amounts of $9.1 and $14.2, respectively.

On October 9, 2009, the Institution filed an action for annulment with the Metropolitan Regional Chamber of the Federal Tax Court.

At this date we are waiting for the ruling on both lawsuits from the authorities.

Other contingent obligations

As of December 31, 2010 and 2009, other contingent obligations amount to $30,089 and $30,418, respectively.

At the close of 2010, under the guarantees scheme, a balance of $26,241 has been recognized with the Nafin Trust for the credit risk, which represents the amount of credits guaranteed to intermediary banks, while the Institution has the counter guarantee granted by the final borrowers to the first tier banks for $1,894.

As of December 31, 2010 and 2009, there are claims filed against the Institution in different lawsuits. The Institution does not believe that they will have a significant effect on the financial statements.

26. Property held in trust or under mandate

As of December 31, 2010 and 2009, the balances of the transactions in which the Institution acts as Trustee are composed as follows:

	2010	**2009**
Investment trust	$ 17,675	$ 18,504
Management trust	527,836	504,794
Guarantee	34,256	29,323
	579,767	552,621
Under mandate	82,275	92,376
	662,042	644,997
Financial agent of the Federal Government	127,176	104,196
Total	$ 789,218	$ 749,193

The Institution's revenues from its fiduciary activities during the years 2010 and 2009 were $157 and $171, respectively.

1. As of December 31, 2010 and 2009, the trust accounts have a balance of $795 and $780, respectively, which refer to the assets held in the Portfolio Recovery Trust (FIDERCA), which administers problem accounts originally held by the Institution and transferred to the Federal Government during 1996. Currently, the Institution holds the respective beneficiary rights.

2. The Institution created the trust to strengthen its capital in compliance with article 55- Bis of the Law on Credit Institutions, the general rules applicable to National Credit Institutions, and Development Bank Institutions, for purposes of their operation, published on October 24, 2002 in the Federal Official Gazette.

27. Other recording accounts

As of December 31, 2010 and 2009, the balances of other recording accounts are composed as follows:

	2010	2009
Opening of credits	$ 42,022	$ 46,843
Renewed and restructured credits	742	823
Bad debts	1,972	2,074
Mortgages with credits not yet secured	271	258
Bad debts applied against the provision	405	413
Instruments and coupons to be incinerated	3	3
Control of credit portfolio expirations	122,080	110,515
Control of expirations of liabilities	134,630	128,053
Recording of IVA by States	81	81
Portfolio in recovery	210	221
Classification of credit portfolio by degree of risk	152,091	141,489
Issuance of provisional certificates	950	950
Credits obtained not applied	980	985
Sundry unspecified items	99,116	100,302
Foreclosed goods or received in payment provisionally written off	10	10
Control of amounts contracted in repurchase agreements and derivatives	32,039	35,224
Valuation of securities held to maturity	1	1
Other recording accounts of subsidiaries	1,730	1,982
	$ 589,333	$ 570,227

28. Principal items comprising the statement of operations

The principal items comprising the statement of operations of the Institution for the year ended 2010 and 2009:

	2010		2009	
Operating segments	**Amount**	**%**	**Amount**	**%**
Financial broker:				
Assets	$ 15,359	5	$ 19,991	7
Liabilities	16,627	6	21,865	8
Income	552	3	1,125	5
Expenses	595	3	1,185	5
First Tier banking:				
Assets	22,803	8	19,188	7
Income	1,630	8	1,235	5
Expenses	295	2	251	1
Second Tier banking:				
Assets	82,519	28	69,750	24
Income	5,265	26	4,106	17
Expenses	671	3	770	3
Investment banking:				
Assets	173,413	58	171,026	60
Liabilities	262,540	93	245,724	91
Income	12,268	60	15,457	66
Expenses	13,305	68	17,144	75
Other segments:				
Assets	4,973	1	4,752	2
Liabilities	3,548	1	3,329	1
Income	859	3	1,597	7
Expenses	4,668	24	3,600	16
Total Institution:				
Assets	299,067	100	284,707	100
Liabilities	282,715	100	270,918	100
Income	20,574	100	23,520	100
Expenses	19,534	100	22,950	100
Total income	$ 1,040		$ 570	

The Institution is conducting different processes to adequately identify the allocation of liabilities and expenses by segments.

The operational segment comprising the operations in which the Institution participates as the Financial Agent of the Federal Government represents 5% of total assets, 6% of liabilities, 3% of revenues and 3% of expenses.

First tier banking operations represent 8% of the Institution's assets, 8% of revenues and 2% of its expenses.

The second tier banking segment represents 28% of the Institution's assets, 26% of revenues and 3% of its expenses, and refers to the resources channeled through IFB and IFNB mainly for micro, small and medium companies.

The investment banking section, which represents 58% of the Institution's assets, 93% of liabilities, 60% of revenues and 68% of its expenses, refers to the business performed in the money market and Mexican and international capital markets with proprietary resources, corporate treasuries, investments of the FDMV and the participation of public and private companies in venture capital.

29. Comprehensive result

Below we present the determination of the Institution's comprehensive result for 2010 and 2009:

	2010	2009
Net result for the year	$ 1,040	$ 570
Effect of items recognized in stockholders' equity that did not affect results:		
Result from valuation of securities available for sale	14	5
Result from conversion of foreign operations	9	23
Effects of valuation in associated and affiliated companies	(156)	115
Result from holding nonmonetary assets due to valuation of permanent investments in shares	(13)	-
Non controlling interest	19	120
Result from valuation of cash flow hedge instruments	-	(3)
	(127)	260
Comprehensive result	$ 913	$ 830

30. Capitalization ratio

At the close of December 2010, the capitalization ratio was 14.18%, which is based on net capital of $15,125 and assets adjusted for total risks of $106,630.

Basic and Complementary Capital

At the close of December 2010, the Institution's net capital is $15,125, comprising $14,423 of basic capital and complementary capital of $702.

Stockholders' equity			$ 15,536
Investments in shares of finance companies and their holding companies:		559	
Investment companies and funds, related to their fixed capital and their holding companies	51	-	
Other national finance companies	2	-	
Direct investments in foreign finance companies	506	-	
Investments in shares of companies		554	
Venture capital	554	-	
Limited purpose and equity investment funds with participation of over 15% in the investment fund	-		
Intangibles and items involving deferred application of expenses and costs in the Institution's capital	-	-	

Stockholders' equity		
Intangibles of any kind		
Items involving deferred application of expenses and costs in capital	-	
Total basic capital		14,423
Allowances for loan losses recorded as complementary capital	702	
Complementary capital		702
Net capital		$ 15,125

a. **Assets adjusted for Market Risks**

The Assets Adjusted for Market Risks are up to $40,654 and are equivalent to a capital requirement of $3,251.

	Amount of equivalent positions	Capital requirement
Foreign currency transactions at a nominal rate	$ 11,457	$ 917
Mexican peso transactions with spread	8,342	667
Transactions at a real rate	15,180	1,214
Foreign currency transactions at a nominal rate	468	37
Transactions with a rate referenced to the minimum wage	-	-
Positions in UDIs with returns referenced to the INPC	158	13
Positions in foreign currency or with returns indexed to the exchange rate	69	6
Positions in transactions referenced to the minimum-wage	-	-
Positions in shares or with returns indexed to the price of a share or group of shares	4,980	397
Total	$ 40,654	$ 3,251

b. **Assets adjusted for Credit Risks**

The assets adjusted for credit risks are $61,581 and equal a capital requirement of $4,926.

Concept	Risk-weighted assets	Capital requirement
Group I	$ -	$ -
Group II	-	-
Group III	8,658	693
Group IV	2,112	169
Group V	-	-
Group VI	188	15
Group VII	38,077	3,046
Group VIII	-	-
Group IX	1,774	142
Credit transactions	50,809	4,065
Derivatives transactions and repurchase agreements	248	20
Issuers of debt securities in position	1,673	134
For securities and credit lines granted and securitizations	179	14
Permanent investments and other assets	2,393	191
Derivatives transactions and repurchase agreements	6,279	502
Total credit risks	$ 61,581	$ 4,926

31. Risk management and follow up (unaudited)

Risk management and follow-up

Domestic and international risk management regulations have undergone unprecedented changes in recent years, incorporating a preventive approach to the financial processes performed by credit institutions, and the obligation to issue internal guidelines which establish controls so as to avoid any economic loss due to the materialization of risks, whether discretionary, nondiscretionary or even those which cannot be quantified.

To ensure compliance with the terms of the different prudential risk management, credit, and internal control provisions applicable to credit institutions, as well as that established by Mexican regulatory agencies to prevent money laundering, Nacional Financiera has made every effort to implement the international standards systematically and comprehensively in its controls and processes.

Discretionary quantifiable risks

Market Risks-

The Institution uses the Value at Risk (VaR) methodology to calculate the market risk of its Trading, Available for Sale and Held to Maturity portfolios, including hedge positions. Generally speaking, the methodology being applied is that of historical simulation.

General principles may be summarized as follows:

- The confidence interval being applied in the VaR calculation is 97.5% (considering the left side of the distribution of losses and profits).
- The base time horizon considered is one day.

One year historical information on risk factors is included for the purpose of scenario generation.

- The following risk factors are considered: domestic and foreign interest rates, spreads, exchange rates, share indexes and prices.

Apart from the VaR information, sensitivity measures are calculated and stress testing is performed. As of July 2005 back testing is performed each month to statistically validate that the market risk measurement model provides reliable results within the parameters selected by the Institution.

The limits which receive daily follow-up as of this date are:

- Value at Risk: determined based on the capital assigned to market risks.
- Regulatory capital: based on the rules for the capitalization requirements of financial institutions.
- Notional: related to the nominal maximum values in which a position may be held.
- Maximum loss measurement: a maximum loss limit established for adverse market trends.

The amount of the average market Value at Risk of the period is MX $31.91 million, representing 0.21% of net capital as of December 2010.

Management of assets and liabilities-

The management of assets and liabilities refers to the handling of risks which affect the bank's balance sheet. It includes the necessary management techniques and tools to identify, measure, monitor, control and administer the financial risks (liquidity and interest rate) to which the Institution's balance sheet is exposed. Its purpose is also to maximize the return adjusted for market risks and, consequently, optimize the use of the bank's capital.

Liquidity Risk-

The liquidity risk affecting a bank is generally classified into two categories:

- Market liquidity risk: This is the possibility of economic loss due to the difficulty of selling or covering assets without a significant reduction in their price. This type of risk arises as a result of drastic movements in interest rates, when major positions are adopted in one or more instruments or investments are made in markets or instruments for which there is no broad market supply and demand.

- Funding liquidity risk: This represents the difficulty faced by an institution in obtaining the necessary resources to meet its obligations, either through revenues generated by its assets or the assumption of new liabilities. This type of crisis is generally due to a drastic and sudden deterioration in the quality of the assets, which makes it very hard to convert them into liquid resources.

In compliance with established Comprehensive Risk Management provisions, the Institution has developed a "Liquidity Plan", which establishes different measurements to cover the aforementioned risks.

Credit Risk-

- Credit risk is defined as the possibility that a counterparty or borrower will default in time and form on its credit obligations; it also refers to the loss in value of a given investment due to the change in the credit quality of a counterparty or borrower, without necessarily resulting in nonpayment.

Expected Loss-

The expected loss on a credit portfolio is obtained using the portfolio classification methodology established in Chapter V of the Sole Circular issued by the Commission, related to Credit Portfolio Classification.

Based on the reserve obtained under this methodology, the following assumptions are also established:

- The overdue portfolio is not considered because the default event occurred in it.
- The former employees' portfolio is excluded in order to directly measure the effect of the expected losses in the portfolio with private-sector risk.
- The contingent credit portfolio of Trust 1148 is not considered because this Trust is responsible for managing its credit risk.
- Additional reserves are not included.

Given the above, as of December 31, 2010, the credit portfolio's expected loss is $2,050, equivalent to 1.91% of the classified portfolio and 1.67% of the total portfolio.

Portfolio	**Estimate of expected losses (millions of pesos) Loan portfolio balances December 31, 2010**	**Expected loss**	**% expected loss**
Exempted	$ 15,522	$ -	-
Risk A	91,951	705	0.77
Risk B	9,862	646	6.55
Risk C	5,149	593	11.52
Risk D	11	11	100.00
Risk E	95	95	100.00
Classified	107,068	2,050	1.91
Total	$ 122,590	$ 2,050	1.67

Unexpected Losses-

The unexpected loss represents the potential impact on the bank's capital due to unusual losses in the credit portfolio; the level of coverage of this loss for the capital and reserves of an Institution is an indicator of solvency adjusted for the related risk.

As of December 2005, the Institution estimates the unexpected loss for its credit portfolio operations using analytical and Monte Carlo simulation methodologies. As of that date, these measures and their behavior due to the different changes in environment have been observed to determine which should be used to measure risk in the Institution's credit portfolio.

In November 2007, the Comprehensive Risk Management Committee concluded that of the methodologies proposed to estimate the unexpected loss, the economic methodology is most aligned with the basic internal method approved by Basel II, based on:

- The similarity in concepts between the economic methodology proposed and the credit risk capital requirement estimated under the basic approach of Basel II. This approach allows banks to estimate the necessary capital requirement to support their risk using internal methods.

- The high levels of correlation and similarity in the average capital requirement observed during one year of internal application of the unexpected loss methodologies proposed for the credit portfolio.

Furthermore, it is considered that the unexpected loss of the credit portfolio should continue to be estimated monthly through the valuation and Monte Carlo methodologies in order to have information in the event of future changes in bank regulations in which the portfolios at market valuation may be requested. These methodologies are applied in a one-year horizon and with a 95% confidence level.

At the close of December 2010, the estimate of the unexpected loss under the economic approach is $9,636. By the same token, the credit VaR is $10,556 and represents 9.83% of the portfolio at risk.

Counterparty risk and diversification-

The Institution exercises comprehensive control of counterparty risk, applying the limits of credit exposure established; these limits consider the operations throughout the balance sheet; i.e., both in the financial markets and in the credit portfolio. The methodology used is consistent with the General Rules for Risk Diversification in the Performance of Asset and Liability Operations Applicable to Credit Institutions.

No economic Group concentrates credit risk above the maximum financing limits.

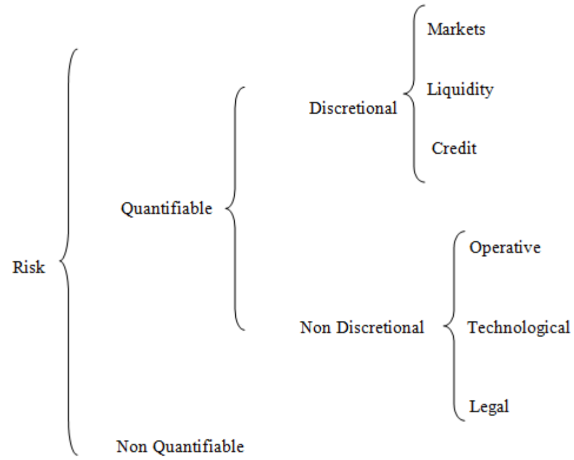
The following loans exceed 10% of basic capital at the individual level:

Number of loans	Total amount	Percentage of Capital
24	$ 86,859	654

The amount of financing with the three largest debtors or, as the case may be, groups of persons representing common risk, is $24,248.

Operational Risk Management-

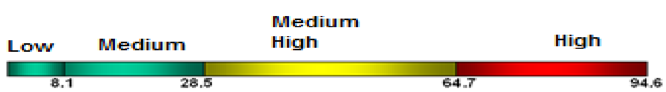
Based on the Provisions, the Commission establishes a basic classification for the different types of risks to which credit institutions are exposed:



<u>Qualitative Analysis</u>

Self-assessment methodologies (ScoreCards) are used to classify the relevant processes of the Quality Management System (S.G.C.) based on two indicators:

Nature- This is the degree of importance of the process analyzed in relation to the Institution's other processes and which require more or less available resources and infrastructure to guarantee business continuity. The related tolerance levels are distributed as follows:



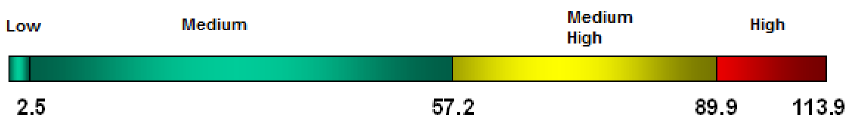
The result obtained from the Institution's 20 most relevant processes at the close of December 2010 is as follows:

Date	HERO Id process	Name of process	Nature indicator	Tolerance level
31/Dec/2010	11	Flow of funds	66.41	High Risk
31/Dec/2010	15	Cashier	66.18	High Risk
31/Dec/2010	43	Money market	65.75	High Risk
31/Dec/2010	31	Financial agent	58.70	Medium High Risk
31/Dec/2010	20	Treasury	57.91	Medium High Risk
31/Dec/2010	29	Safekeeping of securities	53.58	Medium High Risk
31/Dec/2010	8	Fiduciary	52.84	Medium High Risk
31/Dec/2010	3	Expense operation	52.33	Medium High Risk
31/Dec/2010	26	Foreign exchange	51.42	Medium High Risk
31/Dec/2010	65	Second-tear IFNBs	51.41	Medium High Risk
31/Dec/2010	1	Capital	49.63	Medium High Risk
31/Dec/2010	9	Custody and handling of securities	49.37	Medium High Risk
31/Dec/2010	17	M.D.C.	46.94	Medium High Risk
31/Dec/2010	54	IFBs	45.52	Medium High Risk

Date	HERO Id process	Name of process	Nature indicator	Tolerance level
31/Dec/2010	60	Recovery former employees	44.82	Medium High Risk
31/Dec/2010	59	First-tear	43.18	Medium High Risk
31/Dec/2010	58	Guarantees	42.73	Medium High Risk
31/Dec/2010	37	First-tear and emerging	39.89	Medium High Risk
31/Dec/2010	7	Alternate channels	39.05	Medium High Risk
31/Dec/2010	62	Acquisition goods and services	35.31	Medium High Risk

Note -The higher the point score, the more critical the process.

Efficiency- This is the measure of the proper execution of a process, which enables the development of plans to anticipate undesirable events and allow the perception of operational risk to be sensitized through a measurement. Its tolerance levels are distributed as follows:



Based on the same sample of 20 relevant processes, the result in terms of efficiency was as follows:

Date	HERO Id process	Name of process	Nature indicator	Tolerance level
31/Dec/2010	30	Accounting-markets	37.90	Medium Risk
31/Dec/2010	29	Safekeeping of securities	27.13	Medium Risk
31/Dec/2010	11	Flow of funds	27.06	Medium Risk
31/Dec/2010	3	Expense operation	22.41	Medium Risk
31/Dec/2010	140	Inf and Reg. Cred. Admin	22.20	Medium Risk
31/Dec/2010	7	Alternate channels	21.64	Medium Risk
31/Dec/2010	31	Agente Financiero	21.23	Medium Risk
31/Dec/2010	58	Guarantees	21.11	Medium Risk
31/Dec/2010	8	Fiduciary	18.74	Medium Risk
31/Dec/2010	17	M.D.C.	18.70	Medium Risk
31/Dec/2010	20	Treasury	18.21	Medium Risk
31/Dec/2010	50	Credit committee	17.91	Medium Risk
31/Dec/2010	37	First-year and emerging.	17.42	Medium Risk
31/Dec/2010	1	Capital	16.91	Medium Risk
31/Dec/2010	15	Cashier	15.36	Medium Risk
31/Dec/2010	26	Foreign exchange	14.68	Medium Risk
31/Dec/2010	9	Custody and handling of securities	14.46	Medium Risk
31/Dec/2010	62	Acquisition goods and services	14.43	Medium Risk
31/Dec/2010	43	Money market	14.17	Medium Risk
31/Dec/2010	65	Second-tier IFNBs	13.48	Medium Risk

Note -The lower the point score, the lower the operational risk.

Quantitative Analysis

During the fourth quarter of 2010, 24 loss events have been recorded in the books with a probable economic effect of $112.5, integrated as follows:

Month	Currency	Frecuency	Probable Economic Impact
October	MXP	5	0.8
November	MXP	12	0.7
Dicember	MXP	7	111.0
	Third quarter close	**24**	**112.5**

Technology Risk Management-

During the fourth quarter of 2010, the monthly behavior of technology risk indicators was as follows:

	Year/month	Id TR Indicator	Description of TR Indicator	Measurement unit	Target	Result
1	Dec-10	1	Access security level to Nafinsa network	No hacking of critical mission equipment	100.00%	100.00%
2	Dec-10	2	Stopping and blocking viruses in Nafinsa network	No effect on critical mission equipment	100.00%	100.00%
3	Dec-10	3	Availability level of critical services	Availability percentage	99.00%	99.72%
4	Dec-10	5	Availability level of noncritical services	Availability percentage	97.00%	99.92%
5	Nov-10	1	Access security level to Nafinsa network	No hacking of critical mission equipment	100.00%	100.00%
6	Nov-10	2	Stopping and blocking viruses in Nafinsa network	No effect on critical mission equipment	100.00%	100.00%
7	Nov-10	3	Availability level of critical services	Availability percentage	99.00%	99.89%
8	Nov-10	4	Recovery of services under simulated contingency for disaster	Availability percentage	100.00%	100.00%
9	Nov-10	5	Availability level of noncritical services	Availability percentage	97.00%	100.00%
10	Oct-10	1	Access security level to Nafinsa network	No hacking of critical mission equipment	100.00%	100.00%
11	Oct-10	2	Stopping and blocking viruses in the Nafinsa network	No effect on critical mission equipment	100.00%	100.00%
12	Oct-10	3	Availability level of critical services	Availability percentage	99.00%	100.00%
13	Oct-10	5	Availability level of noncritical services	Availability percentage	97.00%	100.00%

Source: Under Management of Computer Systems Quality.

Legal Risk-

This is defined as the potential loss from noncompliance with applicable legal and administrative provisions, the issuance of adverse administrative and court rulings, and the application of penalties for operations performed by the Institution.

Recording of Potential Losses for Legal Risk
Risk Management Department
Figures in Millions of Pesos as of December 31, 2010

		Contingency	%	Provision		Results
	Total (1 +2+3+4)	195.78	(39.46)%	77.26	(27.24)%	21.05
1)	Labor issues	35.79	(229.13)%	82.00	(23.38)%	19.18
2)	Portfolio in legal proceedings	111.71	0.00%	(2.90)	0.00%	1.87
3)	Trusts	48.28	3.80%	(1.84)	0.00%	0.00
4)	Treasury and Operations Stock market	0.00	0.00%	0.00	0.00%	0.00

*Figures in U.S. dollars, valued at the exchange rate of 12.3496.
Information source SIF-Data Warehouse

Significant Notes:

1. The main variations in the provisions generated in the labor portfolio derive from the change in their classification and the restatement of contingencies. It was recorded that of all the labor lawsuits filed against the Institution, three remained the same, one lawsuit changed its classification to a very good chance of winning, for which reason the provision recorded was eliminated; the classification of 18 lawsuits worsened for an amount of $6,015, and one lawsuit was recorded with a total provision of $0.394. One record was eliminated due to the final ruling issued by the labor court, with a net effect of $0.181. All of these movements resulted in an increase in provisions compared to the previous quarter.

2. The provision of the Litigation Portfolio is composed of civil, tax and administrative provisions and other movements, for a total amount of $2,902. The variations compared to the previous quarter are due to the movements made for changes in classification and enforcement in the lawsuit filed by POST LINE, S.A. de C.V. against the Institution in its capacity as Trustee, for a net amount of $0.243. The reduction in provision was also recorded for the amount of $.0861 as a result of the enforcement of the verdict involving the payment of interest to a former employee. The total payment, according to Grupo Nacional Provincial, in the ancillary claim for settlement of the payment orders issued by the court, resulted in a record canceling the provision for a total amount of $1,482. The provisions derived from other fines imposed by the Commission were decreased by $0.094.

3. On April 29, 2009 FIFONAFE received the deposit slip for the amount of $3.17 to be made available to the Ejido “Cumbres de Llano Largo”, in compliance with the order contained in a ruling issued on April 1, 2009, and also the SRA, Presidency of the Republic, SHCP and the aforementioned FIFONAFE. Please note that the amount delivered was charged to the provision of $10 created in previous years based on legal risk management policies, for which reason the remaining provision of $1.8 could be released once the plaintiffs respond to any request ordered by the court authorities based on the aforementioned judgment.

Furthermore, there is a record of $22.7 in memorandum accounts derived from a "Technical Reserve" (contingent liability) created on the instructions of the CONDUSEF resulting from a claim; therefore, the aforementioned record must remain in memorandum accounts, separate from the legal risk classification. The provision recorded refers to an issue that is 100% reserved, because there is a "low" expectation of obtaining a favorable result under the methodology used.

Conclusion: Accordingly, there is a provision of $77.263 and an effect in results of $21.047 with figures at the close of the fourth quarter of the year.

Unquantifiable Risks

These are risks derived from unforeseen accidents or external events which cannot be associated to a probability of occurring and in which the economic losses caused may be transferred to external risk taking entities.

Type of risk	Definition	Examples
Accident	Risk of loss due to catastrophic natural events which may interrupt the operation or affect the Institution's net assets.	Fire, earthquake, volcanic eruption, hurricane, among others.
External	Risk of loss caused by entities not related to the Institution.	Vandalism, picketing, protests, etc.

For this type of risk, follow-up is provided based on the following criteria:

<table>
<tr><th>Inventory</th><th>Control measures</th><th>Economic effects</th></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Net assets</td><td rowspan="2">Institutional Program to Secure Net Assets.</td><td rowspan="2">• Payment of premiums
• Deductible if they materialize</td></tr>
<tr><td>Foreclosed assets</td></tr>
</table>

Up to the fourth quarter of 2010, three claims have been filed which affect the Institution's assets, as a result of one event involving personnel from the Querétaro location, identified as criminal assault, with the following detail:

				Amounts				Accounts		
Date	**Policy/branch**	**Asset involved in claim**	**Reason for claim**	**Claim**	**Paid**	***Deductible**	**Net revenue**	**Debit**	**Credit**	**No. Policy**
18-05-2010	30004021 30003987	Video proyector	Effect witht violence	$ 11,500	$ 11,500	$ 230	$ 11,270	2351-35 General service revenues	5206-08-10 Indemnity insurance	
02-06-2010	30004049 30004003	Cellphones	Effect with violence	6,034	6,034	1,508	4,526			
24-08-2010	30004049 30004003	Cellphones	Effect without violence	6,034	6,034	181	5,853			
			Totals	$ 23,568	$ 23,568	$ 1,919	$ 21,649			

*Figures in pesos

Source: Sub-Management of Material Resources.

32. New accounting principles

NIFs issued by the CINIF

The following accounting pronouncements were issued by the CINIF in 2009 and are effective as of January 1, 2010:

B-5, Financial Segment Information,
B-9, Interim Financial Information
C-5, Advance Payments and Other Assets

NIF B-5, Financial Segment Information.- Establishes management's approach to disclose financial information by segment as opposed to Bulletin B-5, which, while using a management's approach, required that the information be disclosed by economic segments, geographical areas or homogeneous groups of customers. The standard does not require that the business areas be subject to different risks from one another to separate them; it allows classifying as a segment area in the pre-operational stage; and requires the separate disclosure of interest income, interest expense and liabilities, as well as disclosure of information of the entity as a whole, by products, services, geographical areas, and major customers and suppliers. As the previous Bulletin B-5, this standard is only mandatory for public companies or entities in process of becoming public.

NIF B-9, Interim Financial Information.- Unlike Bulletin B-9, this standard requires a condensed presentation of the statement of changes in stockholders' equity and the statement of cash flows as part of the financial information at interim dates and, for comparative purposes, requires that the information presented at the closing of an interim period be presented together with information at the end of the same interim period of the previous year and, in the case of the balance sheet, it requires presenting the closing balance sheet of the immediately preceding year.

NIF C-5, Advance Payments and Other Assets.- This standard sets as a basic feature of advance payments the fact that they do not yet transfer to the Company the risks and benefits of the ownership of goods and services to be acquired or received. Therefore, advances for the purchase of inventories or property, plant and equipment, among others, must be presented in the advance payments line item not in inventory or property, plant and equipment, respectively. It requires that advance payments be recognized as an impairment loss when they lose their ability to generate future economic benefits. This standard requires advance payments related to the acquisition of goods to be presented in the current or noncurrent sections of the balance sheet, based on their respective classification.

Improvements to Mexican Financial Reporting Standards 2011.- The main improvements generating accounting changes that should be recognized in fiscal years starting on January 1, 2011 are as follows:

NIF B-1, Accounting Changes and Error Corrections.- This standard requires that if the entity has implemented an accounting change or corrected an error, it should present a retroactively adjusted statement of financial position at the beginning of the earliest period for which comparative financial information with that of the current period is presented. It also requires that each line item in the statement of changes in stockholders 'equity shows: a) initial balances previously reported, b) the effects of the retroactive application for each of the affected items in stockholders' equity, segregating the effects of accounting changes and corrections of errors, and c) the beginning balances retroactively adjusted.

NIF C-13, Related Parties.- This standard defines a close family member as a related party and considers all persons who qualify as related parties or, excludes those who, despite the family relationship, are not related parties.

Bulletin D-5, Leaes.- Bulletin D-5 removes the obligation to determine the incremental interest rate when the implicit rate is too low; consequently, it establishes that the discount rate to be used by the lessor to determine the present value should be the implicit interest rate of the lease agreement. It eliminates the requirement to use the lower interest rate between the incremental interest rate and the implicit interest rate of the lease agreement to determine the present value of minimum lease payments the lessee may capitalize. It requires using the implicit interest rate of the agreement if it can be easily determined; otherwise, the incremental interest rate should be used. Both the lessor and the lessee should disclose more detailed information on their leasing operations. The Bulletin requires that the result in a sale and leaseback transaction be deferred and amortized over the term of the agreement and not in proportion to the depreciation of the leased asset. The Bulletin also establishes that the gain or loss on the sale and leaseback in an operating lease be recognized in results at the time of sale, provided that the transaction is established at fair value, noting that if the sales price is lower, the result should be recognized immediately in current earnings, unless the loss is offset by future payments that are below the market price, in which case it should be deferred and amortized over the term of the agreement and, if the selling price is higher, the excess should be deferred and amortized over the term of agreement

At the date of issuance of these consolidated financial statements, the Institution has not fully assessed the effects of adopting these new standards on its consolidated financial information.

These notes are part of the accompanying consolidated financial statements.

Ing. Héctor A. Rangel Domene Chief Executive Officer	Lic. María del Carmen Arreola Steger Director of Administration and Finance
C. P. Sergio Miranda Flores Accounting and Budgetary Control Director	C. P. Marisela Pérez Velázquez Head of Internal Control Area

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