



Salles Sainz

**Grant Thornton**

Consolidated financial statements and independent  
auditor's opinion

Nacional Financiera, S.N.C. Development Banking  
Institution and Subsidiaries

As of December 31, 2008 and 2007

Translation of a report originally issued in Spanish



**nacional financiera**

Banca de Desarrollo

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## Report of Independent Auditor

To the National Banking and Securities Commission

To the Ministry of Public Function

To the Board of Directors of

Nacional Financiera, S. N. C. Development Banking Institution:

We have examined the consolidated balance sheets of Nacional Financiera, S.N.C. Development Banking Institution (the Institution) and subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the years then ended. Such financial statements are the responsibility of the Management of the Institution. Our responsibility consists on expressing an opinion on these financial statements based on our audits. The financial statements of the subsidiaries account for 1.70% and 1.95% of the assets and 3.50% and 0.60% of the net income in 2008 and 2007, respectively, of the total consolidated financial statements, were audited by other auditors; our opinion in connection with the amounts included for those subsidiaries is based only on the opinions of the other auditors.

We conducted our exams in accordance with generally accepted auditing standards in Mexico, those standards require the audit to be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in accordance with the rules of grouping and accounting practices issued by the National Banking and Securities Commission (NBSC) (Comisión Nacional Bancaria y de Valores). The audit consists of examining, on test checks, the evidence supporting the amounts and disclosures of the financial statements; it also includes the evaluation of the grouping and accounting rules and practices used and significant estimates made by the Management, as well as evaluating the overall financial statement presentations. We believe that our audits provide a reasonable basis to support our opinion.

- a. As explained in Note 4 a) to the accompanying financial statements, effective January 1, 2008, Financial Reporting Standard B-10 "Impact of inflation" went into effect. Since accumulated inflation of the three prior fiscal years is less than 26%, the restatement of the financial statements has been disconnected as of December 31, 2008. Accordingly, the financial statements as of December 31, 2007 are stated in pesos of purchasing power of that date.
  
- b. As discussed in Note 2, the auditors' opinion of Plaza Insurgentes Sur, S. A. de C. V. (Subsidiary Company) dated February 17, 2009 includes an emphasis paragraph, due to the restatement derived from the recognition of the deferred tax liability in the amount of \$350, which was not recognized in the consolidated financial statements as of December 31, 2007,

which have been restated to recognize the effect of the incorporation thereof, thereby rendering the qualification issued on February 28, 2008 null and void.

- c. As discussed in Note 31, the accompanying consolidated financial statements for 2007 were restated in order for them to be consistent with the entries recorded applicable to the recognition of labor obligations derived from the Special Loan for Savings or PEA, Loans to Active and Retired Personnel, the amortization of the year-end balance of the Provisions of the Personnel Pension Fund created in 2006, and the recognition of the deferred tax liability of the subsidiary company referred to in paragraph b) above.
- d. As discussed in Note 4, the accompanying consolidated financial statements are prepared based on the accounting criteria established by the National Banking and Securities Commission which, in the cases discussed in that Note, do not concur with currently enacted financial reporting standards.
- e. As explained in Note 7, the accompanying consolidated financial statements as of December 31, 2008 include the reclassification of investments in securities classified as trading securities to the classification of held-to-maturity securities, in accordance with the Special Accounting Criterion CNBV 100-035/2008 issued by the National Banking and Securities Commission on October 16, 2008, with the effects discussed in that Note.

In our opinion, based on our audits and the opinions of the other auditors referred to in the first paragraph, the aforementioned consolidated financial statements present fairly in all material aspects, the consolidated financial position of Nacional Financiera, S.N.C., Development Banking Institution and subsidiaries, as of December 31, 2008 y 2007 and the consolidated results of its operations, the changes in its stockholders' equity and the changes in its financial position, for the years then ended, in accordance with the criteria and accounting rules established by the National Banking and Securities Commission of México.

SALLES, SAINZ – GRANT THORNTON, S.C.

C.P.C. Julián A. Abad Riera

México, D.F.  
February 25, 2009.

## Consolidated Balance Sheets

As of December 31, 2008 and 2007

(Stated in Millions of Mexican Pesos)

(Notes 1, 2, 3 and 4)

### A S S E T S

	2008	2007
CASH AND CASH EQUIVALENTS (Note 6)	\$ 22,481	\$ 40,202
<b>INVESTMENTS IN SECURITIES (Note 7)</b>		
Trading	7,447	27,043
Instruments available for sale	390	247
Instruments held to maturity	37,883	1,080
	<u>45,720</u>	<u>28,370</u>
<b>OPERATIONS WITH SECURITIES AND DERIVATIVES (Note 8)</b>		
Debit balances under repurchase agreements	30	4
Operations with derivatives financial instruments	-	523
	<u>30</u>	<u>527</u>
<b>CURRENT CREDIT PORTFOLIO</b>		
Commercial lendings	5,647	7,365
Loans to financial entities	47,192	35,275
Consumer lendings	5	5
Mortgage loans	237	216
Loans to government entities	37,443	31,158
	<u>90,524</u>	<u>74,019</u>
<b>OVERDUE CREDIT PORTFOLIO</b>		
Commercial lendings	182	240
Loans to financial entities	12	14
Consumer lendings	6	7
Mortgage loans	28	30
	<u>228</u>	<u>291</u>
<b>TOTAL CREDIT PORTFOLIO (Note 9)</b>	90,752	74,310
PREVENTIVE ESTIMATE FOR CREDIT RISKS (Note 10)	(1,974)	(899)
<b>CREDIT PORTFOLIO, NET</b>	<u>88,778</u>	<u>73,411</u>
OTHER ACCOUNTS RECEIVABLE, NET (Note 11)	2,543	2,398
FORECLOSED AND REPOSSESSED PROPERTY (Note 12)	3	4
PROPERTY, FURNITURE AND EQUIPMENT, NET	2,000	2,122
OTHER INVESTMENTS (Note 13)	2,962	1,637
LONG-TERM EQUITY INVESTMENTS (Note 13)	1,814	1,741
OTHER ASSETS, DEFERRED CHARGES AND INTANGIBLES	177	25
<b>TOTAL ASSETS</b>	<u>\$ 166,508</u>	<u>\$ 150,437</u>

### L I A B I L I T I E S

	2008	2007
<b>TRADITIONAL FUNDING</b>		
Term deposits (Note 15)		
Money market	\$ 96,140	\$ 90,205
Bank bonds (Note 16)	2,053	2,820
Securities placed abroad (Note 17)	9,591	6,657
	<u>107,784</u>	<u>99,682</u>
<b>INTERBANK LOANS AND OTHER LOANS (Note 18)</b>		
Demand	78	1,681
Short-term	16,000	7,000
Long-term	24,294	28,470
	<u>40,372</u>	<u>37,151</u>
<b>OPERATIONS WITH SECURITIES AND DERIVATIVES (Note 8)</b>		
Credit balances under repurchase agreements	34	47
Operations with derivatives financial instruments	196	-
	<u>230</u>	<u>47</u>
<b>OTHER ACCOUNTS PAYABLE (Note 19)</b>		
IT, IETU and EPS payable	160	108
Sundry creditors and other accounts payable	4,994	3,563
	<u>5,154</u>	<u>3,671</u>
DEFERRED TAXES (Note 14)	8	393
DEFERRED CREDITS	1	5
<b>TOTAL LIABILITIES</b>	<u>153,549</u>	<u>140,949</u>
<b>STOCKHOLDERS' EQUITY (Note 21)</b>		
<b>CONTRIBUTED CAPITAL</b>		
Capital stock	7,952	7,952
Contributions for future capital increases	6,095	2,595
Premiums on sale of shares	2,030	2,030
	<u>16,077</u>	<u>12,577</u>
<b>EARNED CAPITAL</b>		
Capital reserves	1,730	1,730
Loss from previous periods	(8,693)	(9,800)
Result from valuation of hedging instruments of cash flows	4	-
Result from valuation of instruments available for sale	(7)	(9)
Translation gain on foreign transactions	98	193
Effects of valuation on associated and affiliated companies	3,076	3,022
Result from holding nonmonetary assets-		
Due to valuation of long-term equity investments	(111)	(113)
Net income	108	1,155
	<u>(3,795)</u>	<u>(3,822)</u>
Minority Interest	677	733
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>12,959</u>	<u>9,488</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 166,508</u>	<u>\$ 150,437</u>

**MEMORANDA ACCOUNTS**

	2008	2007
Guarantees granted (Note 22)	\$ 2,494	\$ 31
Other contingent liabilities (Note 22)	23,155	16,076
Irrevocable lines of credit	5	7
Property held in trust or under mandate (Note 23)		
Trust	637,931	501,258
Mandates	31,019	23,891
Federal government's financial agent	75,356	46,543
	<u>744,306</u>	<u>571,692</u>
Property held in custody or under administration	263,259	296,151
Investment bank operations made on account of a third party, net	199,655	160,704
Uncollected accrued interest on overdue portfolio	64	59
Securities receivable under repurchase agreements	95,460	85,741
(Less) Creditors under repurchase agreements	95,491	85,788
	<u>(31)</u>	<u>(47)</u>
Debtors under repurchase agreements	25,045	26,709
(Less) Securities to be delivered under repurchase agreements	25,018	26,705
	<u>27</u>	<u>4</u>
Other memoranda accounts (Note 24)	\$ 469,790	\$ 603,531

The historical balance of capital stock as of December 31, 2008 and 2007, amounts to \$950.

These consolidated balance sheets were formulated in accordance with the Accounting Criteria for Credit Institutions, issued by the National Banking and Securities Commission (NBSC) (Comisión Nacional Bancaria y de Valores) based on Articles 99, 101 and 102 of the Law of Credit Institutions (Ley de Instituciones de Crédito), which observance is general and compulsory, applied consistently, having reflected the operations carried out by the Institution up to the aforementioned dates, which were realized and valued in accordance with banking practices and applicable legal and administrative provisions.

These consolidated balance sheets were approved by the Board of Directors under the responsibility of the officers subscribing them on February 4, 2009.

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.

In accordance with the special criterion issued by the National Banking and Securities Commission on October 16, 2008, investments in trading securities were reclassified to held - to maturity securities on October 1, 2008. The effect of that reclassification on valuation would have amounted to \$824 as of December 31, 2008.

**The accompanying notes are an integral part of these consolidated balance sheets.**

Ing. Héctor A. Rangel Domene  
General Director

(with effect from January 1, 2009)

Lic. Steven Saide Azar  
Deputy General Director of Administration

C.P. Mario Osorio Méndez  
Finance Director

C.P. Sergio Miranda Flores  
Accounting and Tax Vice Director

C.P. Roberto Muñoz y Leos  
Head of Internal Control Area in  
Nacional Financiera, S.N.C.

## Consolidated Statements of Income

For the years ended December 31, 2008 and 2007  
(Stated in Millions of Mexican Pesos)

(Notes 1, 2, 3 and 4)

	2008	2007
Interest income	\$ 20,894	\$ 21,511
Interest expense	(18,369)	(19,817)
Result from monetary position, net (financial margin) (Note 27)	-	(55)
<b>FINANCIAL MARGIN</b>	<b>2,525</b>	<b>1,639</b>
Preventive estimate for credit risks	(1,534)	(375)
<b>FINANCIAL MARGIN ADJUSTED FOR CREDIT RISKS</b>	<b>991</b>	<b>1,264</b>
Commissions and tariffs collected	423	354
Commissions and tariffs paid	(57)	(72)
Intermediation result	(913)	526
<b>TOTAL OPERATING INCOME</b>	<b>444</b>	<b>2,072</b>
Administrative and promotional expenses	(1,815)	(1,692)
<b>OPERATING (LOSS) INCOME</b>	<b>(1,371)</b>	<b>380</b>
Other income	906	1,137
Other expenses	(79)	(382)
<b>EARNINGS BEFORE INCOME TAX (IT), IETU AND EMPLOYEE PROFIT SHARING (EPS)</b>	<b>(544)</b>	<b>1,135</b>
Current IT, IETU and EPS (Note 25)	(179)	(100)
Deferred IT, IETU and EPS	43	(7)
<b>EARNINGS BEFORE EQUITY IN EARNINGS OF SUBSIDIARIES AND ASSOCIATES</b>	<b>(680)</b>	<b>1,028</b>
Equity in earnings of subsidiaries and associates	807	138
<b>NET INCOME</b>	<b>\$ 127</b>	<b>\$ 1,166</b>
Minority Interest	\$ (19)	\$ (11)
	<b>\$ 108</b>	<b>\$ 1,155</b>

These consolidated statements of income were formulated in accordance with the Accounting Criteria for Credit Institutions, issued by the National Banking and Securities Commission (NBSC) (Comisión Nacional Bancaria y de Valores) based on Articles 99, 101 and 102 of The Law of Credit Institutions (Ley de Instituciones de Crédito), which observance is general and compulsory, applied consistently, having reflected all the income and expenses derived from operations carried out by the Institution during the aforementioned periods, which were realized and valued in accordance with banking practices and applicable legal and administrative provisions.

These consolidated statements of income were approved by the Board of Directors under the responsibility of the officers subscribing them on February 4, 2009.

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.

The accompanying notes are an integral part of these consolidated financial statements.

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## Consolidated statements of stockholders' equity

For the years ended December 31, 2008 and 2007

(Stated in Millions of Mexican Pesos)

(Notes 1, 2, 3, 4 and 21)

	CONTRIBUTED CAPITAL			EARNED CAPITAL									Total stockholders equity
	Capital stock	Contributions for future capital increases	Premiums on sale of shares	Capital reserves	Loss from previous periods	Result from valuation of hedging instruments of cash flows	Result from valuation of instruments 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 investments)	Net income	Minority Interest	
<b>BALANCES AS OF DECEMBER 31, 2006</b>	\$ 7,661	\$ 2,500	\$ 1,955	\$ 1,667	\$ (5,963)	\$ -	\$ 14	\$ 177	\$ 3,539	\$ (361)	\$ 840		\$ 12,029
<b>RESOLUTIONS ADOPTED BY THE STOCKHOLDERS</b>													
Application of profit for the year 2006	-	-	-	-	840	-	-	-	-	-	(840)		-
Adjustment of reserves for personnel pensions	-	-	-	-	(4,487)	-	-	-	-	-	-		(4,487)
<b>RECOGNITION OF COMPREHENSIVE INCOME</b>													
Net income for the year 2007	-	-	-	-	-	-	-	-	-	-	1,155		1,155
Effects of valuation on associated and affiliated companies	-	-	-	-	-	-	-	-	(517)	-	-		(517)
Result from valuation of instruments available for sale	-	-	-	-	-	-	(21)	-	-	-	-		(21)
Translation gain on foreign transactions	-	-	-	-	-	-	-	16	-	-	-		16
Result from holding nonmonetary assets for valuation of long-term equity investments	-	-	-	-	-	-	-	-	-	248	-		248
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	733	733
Restatement of capital items	291	95	75	63	(190)	-	(2)	-	-	-	-		332
<b>BALANCES AS OF DECEMBER 31, 2007</b>	7,952	2,595	2,030	1,730	(9,800)	-	(9)	193	3,022	(113)	1,155	733	9,488
<b>RESOLUTIONS ADOPTED BY THE STOCKHOLDERS</b>													
Application of profit for the year 2007	-	-	-	-	1,155	-	-	-	-	-	(1,155)		-
Valuation of instruments available for sale	-	-	-	-	(9)	-	9	-	-	-	-		-
Adjustment of reserves for personnel pensions	-	-	-	-	177	-	-	-	-	-	-		177
Contributions for future capital increases	-	3,500	-	-	-	-	-	-	-	-	-		3,500
<b>RECOGNITION OF COMPREHENSIVE INCOME</b>													
Net income for the year 2008	-	-	-	-	-	-	-	-	-	-	108		108
Effects of valuation on associated and affiliated companies	-	-	-	-	(214)	-	-	-	54	-	-		(160)
Result from valuation of instruments available for sale	-	-	-	-	-	-	(7)	-	-	-	-		(7)
Translation gain on foreign transactions	-	-	-	-	-	-	-	(95)	-	-	-		(95)
Valuation of hedging instruments for cash flows	-	-	-	-	-	4	-	-	-	-	-		4
Result from holding nonmonetary assets for valuation of long-term equity investments	-	-	-	-	(2)	-	-	-	-	2	-		-
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	(56)	(56)
<b>BALANCES AS OF DECEMBER 31, 2008</b>	\$ 7,952	\$ 6,095	\$ 2,030	\$ 1,730	\$ (8,693)	\$ 4	\$ (7)	\$ 98	\$ 3,076	\$ (111)	\$ 108	\$ 677	\$ 12,959

These consolidated statements of stockholders' equity were formulated in accordance with the Accounting Criteria for Credit Institutions, issued by the National Banking and Securities Commission (NBSC) (Comisión Nacional Bancaria y de Valores) based on Articles 99, 101 and 102 of the Law of Credit Institution (Ley de Instituciones de Crédito), which observance is general and compulsory, applied consistently, having reflected all the movements in stockholders' equity accounts derived from the operations carried out by the Institution up to the aforementioned dates, which were realized and valued in accordance with banking practices and applicable legal and administrative provisions.

These consolidated statements of stockholders' equity were approved by the Board of Directors under the responsibility of the officers subscribing them on February 4, 2009.

The Head of the Internal Control Area hereby signs these financial statements based on the result 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.

**The accompanying notes are an integral part of these consolidated financial statements.**

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## Consolidated statements of changes in financial position

For the years ended December 31, 2008 and 2007

(Stated in Millions of Mexican Pesos)

(Notes 1, 2, 3 and 4)

	2008	2007
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 108	\$ 1,155
Items applied to income that did not (generate) or require a cash outlay-		
Fair value results	324	(270)
Preventive estimate for credit risks	1,534	375
Depreciation and amortization	58	65
Deferred Taxes	(43)	6
Provisions for obligations	(255)	(221)
Minority Interest	(56)	733
Equity in earnings of nonconsolidated subsidiaries and associates	(807)	(137)
Others	21	2
	<u>776</u>	<u>553</u>
Increase or decrease in items related to operations:		
Traditional funding	8,102	(28,701)
Credit portfolio	(16,901)	46,772
Operations with investments in securities	(17,286)	4,034
Operations with repurchase agreements	(322)	739
Securities lending	-	51
Financial derivative instruments for trading purposes	614	(386)
Interbank loans and other loans	429,916	355,115
Amortization of interbank loans and other loans	(426,695)	(375,191)
	<u>(22,572)</u>	<u>2,433</u>
Cash (used) generated in operations	<u>(21,688)</u>	<u>4,141</u>
<b>FINANCING ACTIVITIES:</b>		
Contributions for future capital increases	3,500	-
Surplus on valuation of instruments available for sale	-	(24)
Other financing activities	(4,410)	(4,487)
Result on translation of foreign transactions	-	9
Foreclosed and repossessed property reserve	-	5
Cash used in financing activities	<u>(910)</u>	<u>(4,497)</u>
<b>INVESTING ACTIVITIES:</b>		
Increase or decrease in-		
Acquisition of property, furniture and equipment	64	45
Long-term equity investments	403	(640)
Deferred charges and credits	2,245	3,284
Foreclosed and repossessed property	1	(103)
Sale of foreclosed and repossessed property	-	103
Other receivable and payable accounts	3,489	3,216
Other investments	(1,325)	(518)
Cash derived from investing activities	<u>4,877</u>	<u>5,387</u>
Increase (decrease) in cash and cash equivalents	(17,721)	5,031
Cash and cash equivalents at the beginning of the year	40,202	35,171
Cash and cash equivalents at the end of the year	<u>\$ 22,481</u>	<u>\$ 40,202</u>

These consolidated statements of changes of financial position were formulated in accordance with the Accounting Criteria for Credit Institutions, issued by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) based on Articles 99, 101 and 102 of the Law of Credit Institutions (Ley de Instituciones de Crédito), which observance is general and compulsory, applied consistently, having reflected all the sources and applications of cash derived from operations carried out by the Institution during the aforementioned periods, which were realized and valued in accordance with banking practices and applicable legal and administrative provisions.

These consolidated statements of changes in financial position were approved by the Board of Directors under the responsibility of the officers subscribing them on February 4, 2009.

The Head of the Internal Control Area hereby signs these 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.

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# Notes to the consolidated financial statements

As of December 31, 2008 and 2007

(Stated in Millions of Mexican Pesos)

## **1 Organization and objective:**

Nacional Financiera, S.N.C., (NAFIN or the Institution) is a Development Banking Institution that operates in accordance with the rules of its own Organic Law, the Law of Credit Institutions (Ley de Instituciones de Crédito) and the rules issued by the National Banking and Securities Commission (NBSC), Comisión Nacional Bancaria y de Valores.

The objectives of NAFIN are to promote the integral development and modernization of the industrial sector with a regional approach; stimulate the development of small and medium sized enterprise 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.

NAFIN 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 sources of NAFIN'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, 2008, the operating structure of NAFIN abroad includes two branches: one in London, England and another in Grand Cayman; two representative offices in Washington and Santa Anna California and a subsidiary established in New York within the U.S.A.

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

## 2 Basis of consolidation:

The consolidated financial statements include the assets, liabilities, and income (loss) of Nacional Financiera, S.N.C., and those subsidiaries in which it holds more than 50% of their capital and/or exercises operating and financial control, which render financial or supplementary services to the Institution.

All intercompany balances and transactions have been eliminated in consolidation.

The subsidiary companies included in the consolidated financial statements are as follows:

	% of equity holding	2008	2007
<b>Financial Activities</b>			
Nafinsa Holdings Corporation	99.99	\$ 97	\$ 76
Operadora de Fondos Nafinsa, S.A. de C.V.	99.99	56	43
<b>Nonfinancial Activities</b>			
Promotora Azucarera, S.A. de C.V.	98.00	-	-
Corporación Mexicana de Inversiones de Capital, S.A. de C.V.	57.59	919	971
<b>Other services</b>			
Plaza Insurgentes Sur, S.A. de C.V.	99.99	1,773	1,830
Pissa Servicios Corporativos, S.A. de C.V.	99.99	-	-
		<u>\$ 2,845</u>	<u>\$ 2,920</u>

The assets, liabilities, and income (loss) of the subsidiary companies are included in or excluded from consolidation as of the date on which those companies are acquired or up to the date on which the formal plan of its sale was approved.

The main activities of the subsidiaries: financial and non financial companies and supplementary service institutions, are the following:

### **Nafinsa Holdings Corporation.-**

Its is mainly intended to act as an operating unit of NAFIN 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.

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

The 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.

### **Promotora Azucarera, S.A. de C.V.-**

The Company mainly receives and transfers the pertinent rights for managing and trading assets and industrial units of expropriated companies through financial, trustee and, in general, juridical instruments required to be implemented for that purpose, as set forth in the Executive Orders published in the Official Gazette on September 3 and 10, 2001.

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

This Company among other things buys, 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 determined 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. NAFIN initially participated with 58.99% 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 to participate 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 assist promotion and development of the capital risk industry in Mexico. In addition to participate 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 NAFIN to transfer its investment portfolio in mutual funds and SINCAS, just like the rest of the stockholders.

### **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 lessor or lessee.

The financial statements of the subsidiary Plaza Insurgentes Sur, S. A. de C. V. as of December 31, 2008 include the amount of \$350 related to a deferred liability that was not recorded in 2007, which was applied to stockholders' equity in the caption of loss from previous periods. Its retrospective application implies recognition in the amount of \$37 in the 2007 statement of income (Note 31).

### **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.

### **3 Financial Reporting Standards:**

The Mexican Board for Research and Development of Financial Information Standards (CINIF) is the independent entity in México responsible to issue Financial Reporting Standards (FRS).

FRS are comprised of: a) Financial Reporting Standards and their interpretations (IFRS); b) Accounting Principles Bulletins issued by the Instituto Mexicano de Contadores Públicos or IMCP that have not been amended, substituted or repealed by FRS; and c) by International Financial Reporting Standards (IFRS) applicable suppletorily.

### **4 Significant accounting policies:**

The consolidated financial statements of the Institution have been prepared in accordance with the practices and accounting rules issued by the NBSC, and institutional policies in this respect, which in certain aspects do not concur with Financial Reporting Standards applicable in Mexico (NIF's) established by the Mexican Board for Research and Development of Financial Information Standards (CINIF). The main differences are as follows:

- The recognition of unrealized gains and losses on investments available for sale are recorded in stockholders' equity, while NIFs establish their recognition in the statement of income (Notes 4 c and 7.).
- Repurchase agreements are recognized as purchase-sale transactions or as temporary transfer of the securities that constitute the guarantee of the operation; however, they are not recognized in relation to the substance of the transaction (financing). In addition, its valuation is determined by the present value of the price agreed at the maturity of the operation, while NIFs establish the straight-line recognition of the premium accrued. (Notes 4 d and 8 a).
- The liabilities for funding are not classified considering their demand in short or long term; NIFs do establish it.
- Effective January 1, 2008, no Statement of Cash Flows (FRS B-2) is prepared since the NBSC sets forth a specific criterion (Criterion D-4 "Statement of changes in financial position").

Following there is a description of the most significant accounting rules and practices applied by the Institution in the preparation of its consolidated financial statements for the periods 2008 and 2007, according to the general provisions applicable to Lending Institutions issued by the NBSC, effective December 3, 2005. Eventually, when reviewing the financial statements, among its legal inspection and monitoring powers, the NBSC may order whatever modifications or corrections which at its discretion are considered appropriate for their publication.

- a Recognition of the impact of inflation on the financial information.-

The guidelines set forth in FRS B-10 "Impact of inflation", effective January 1, 2008, define two economic environments in which entities can operate at a given time:

- Inflationary when inflation is equal or exceeds 26% accumulated in the three prior fiscal years (annual 8% average); and
- Non-inflationary when inflation is immaterial and, above all, it is considered to be under control in the country, and it is lower than the accumulated 26%.

The impact of inflation on the financial information should be recognized in an inflationary environment, by applying the comprehensive method, and the impact of inflation of the period should not be recognized in a non-inflationary period.

Pursuant to the foregoing, NAFIN did not recognize the impact of inflation in 2008, since it operated in a non-inflationary economic environment. Accordingly, the financial statements were not restated. The last restatement recognized in the financial statements was in fiscal 2007. The annual inflation factor calculated based on UDIS was 6.39% for 2008, and 3.8% for 2007.

The percentage of accumulated inflation of the three prior years (2007, 2006, and 2005) was 10.87%.

b Valuation of foreign currencies.-

NAFIN 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 determined by Banco de México (BANXICO).

c Investments in securities.-

The record and valuation of investments in securities are subject to the following guidelines:

**Trading**

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 NBSC. 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, whereas 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 cutoff.

**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 NBSC. 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, whereas 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 cutoff.

### **Held to maturit**

These are debt securities with determinable payments acquired by the Institution with the intent of holding them until they mature.

In accordance with NBSC regulations, held-to-maturity securities are initially recorded at their acquisition cost, and accrued interest is applied to income of the year. On the date sold, the gain or loss is recognized on the trade for the spread between net realization value and book value.

#### **d Repurchase operation.-**

Repurchase transactions represent the transfer of ownership of certain financial instruments in exchange for an agreed upon premium, whereby the seller transfers the ownership of securities to the buyer. In turn, the buyer binds itself to return securities of the same kind to the seller on the date set in the transaction.

The securities, subject matter of the repurchase transaction, are valued at fair value, by applying market values furnished by an independent pricing service, authorized by the NBSC. The book effect of this valuation is recorded in income of the year. The premium is recognized based on the present value at maturity of the operation, affecting the lending or borrowing part, as well as income of the year.

The debit or credit balance resulting from the repurchase operations is presented in the assets or liabilities of the balance sheet as part of the operations with securities and derivatives.

#### **e Securities loans.-**

Securities loans represent the transfer of ownership of certain securities and receiving premium as a consideration, as well as the right to receive or the obligation to deliver securities of the same issuer at maturity and, if applicable, face value, kind, class, series, and date of maturity and ownership rights that would have been generated during the effectiveness of the transactions.

Securities receivable or payable are valued at fair value, in conformity with the valuation procedure of the trading securities that gave rise to the securities loan transaction.

The amount of the premium is recorded as a deferred credit or debit and the straight-line method is used to apply it to income during the term of the transaction.

f 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:

- Fair value hedge. It 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.
- Cash flows hedges. It consists of hedging exposure to the variability of cash flows from:
  - An asset (or portion thereof) or a liability (or portion thereof) recognized in the balance sheet;
  - A forecasted transaction; or
  - A portfolio of assets, liabilities or firm commitments with similar risk characteristics.
- Foreign currency hedge:
  - Foreign currency fair value hedge;
  - Foreign currency cash flows hedge;
  - Net investment in a foreign subsidiary hedge.

Effective January 2007, the NBSC issued the criterion “Derivative Financial Instruments and Hedging Transactions” that define and designate Cash Flow Hedges and Fair Value Hedges for valuation purposes.

These provisions are intended to specify the application of particular standards set forth in FRS C-10 “Derivative financial instruments and hedging transactions”, considering the following:

- Establish the characteristics that a financial instrument should have to be considered as a derivative.
- Define and classify the journalization models of hedging transactions.
- Establish the conditions that a derivative financial instrument should meet to be designated as a hedging instrument, as well as set forth the conditions that primary positions should comply with to be designated in connection with a hedge.
- Define the concept of hedge effectiveness and establish the rules relative to their initial evaluation and subsequent measurement, since it involves an essential characteristic that the derivative financial instrument should have so as to be designated and documented as a hedging instrument.
- Establish the rules for recognition and valuation, presentation and disclosure applicable to derivative financial instruments including those for hedging purposes.
- Establish the rules for recognition and valuation, presentation and disclosure applicable to derivative hedging transactions.

A fair value hedging transaction should be recognized as follows:

- a) The gain or loss on valuation of the hedging instrument at its fair value should be immediately recognized in income of the period in which it occurs; and
- b) The gain or loss on valuing the primary position attributable to the hedged risk should adjust the carrying value of that position and immediately recognize it in income of the period in which it occurs.

A cash flow hedging transaction should be recognized as follows:

- a) The effective portion of gains or losses on the hedging instrument should be recognized in the comprehensive income account in stockholders' equity, and the ineffective portion should be immediately recognized in income of the period;
- b) The item of stockholders' equity that forms part of comprehensive income associated with the primary position will be adjusted to the lower value (in an absolute value) between:
  - i. The hedging instrument gain or loss; and
  - ii. The accumulated change in fair value of cash flows of the primary position, since the inception of the hedging transaction.

If the risk management strategy of an entity for a particular hedge excludes a specific item of the gain or loss from the determination of its effectiveness or from the cash flows related to the hedging instrument, then that item should be reflected in income of the period.

Pursuant to the foregoing, swaps designated as hedges are classified as fair value hedges and cash flow hedges, applying the effect of their valuation (gain or loss) in income of the period or in stockholders' equity, respectively.

g Credit portafolio.-

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 income 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 memoranda accounts. In the event that this interest should be collected, it is recognized in income of the year.

Transfers to overdue 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 a 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 nonperforming portfolio may be identified as impaired portfolio.

The main policies and procedures established in the guidelines issued by NAFIN 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 an 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 intermediaries 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 monthly.
- Portfolio recovery is performed through SIRAC system, and administered at headquarters of NAFIN by the Management of 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 intermediaries in the case of discounted credits.

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

#### **Wholesale Loan 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 "Metodología de Asignación de Límites de Riesgo Crediticio para Operar con Bancos en México", 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 markets 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 for 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 NBSC in the Official Daily Gazette on December 2, 2005.

**Direct loan 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 harvests, 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 NAFIN. 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.

h Preventive provision for credit risks.-

The NBSC establishes the rules for rating the credit portfolio. The provision corresponding to credit risks is estimated on a monthly basis according to quantitative and qualitative factors, included in the classification methodology established by the NBSC, 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 NBSC 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 that 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 for to the quarters concluding in March, June, September, and December are used for rating the commercial portfolio, and the pertinent preventive reserves are recorded in the accounting at each quarter-end, considering 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.

i Property, furniture and equipment.-

These assets are initially stated at acquisition cost; if applicable, the cost is restated based on UDI'S in conformity with FRS B-10 "Impact of inflation".

j Foreclosed and repossessed property and property received as payment in kind.-

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

In case there is evidence that the realizable value of foreclosed property is lower than its book value, the recorded value is modified.

Conformity with the general provisions applicable to the credit institutions, the NBSC sets forth that it is advisable to update the calculation methodologies of the additional reserves for foreclosed property acquired through judicial or out-of-court proceedings, or received as payment in kind.

Toward that end, additional provisions are created quarterly to recognize the potential losses of value due to the time elapsed of foreclosed fixed assets acquired through judicial or out-of-court proceedings or received as payment in kind, as well as collection rights and investments in securities that have been received as assets acquired through juridical proceedings or received as a payment in kind considering the time elapsed since the adjudication or dation in payment.

In the event that valuations subsequent to the adjudication or received in kind properties result in an accounting entry of a write-down of value of collection rights, values, personal or real property, preventive reserves must be calculated on the written-down value.

k Deferred taxes.-

Deferred income tax and employee profit sharing are calculated in accordance with the guidelines set forth in NIF D-4 "Tax on earnings", issued by the CINIF. This Bulletin sets forth the recognition of deferred assets and/or liabilities generated by temporary differences, tax losses and tax credits, from the initial recognition of those items and at the end of every period., between taxable and book income that will have an effect on such income by generating a benefit or incurring a liability for tax purposes in a defined turnaround period. In addition, deferred

or advanced employee profit sharing derived from these items is recorded only when it can be reasonably presumed that those items are going to generate a liability or a benefit, and there is no indication that this situation is going to change in such a way that the liability is not paid and the benefit is not realized.

Effective January 1, 2008, the Corporate Flat Tax law (IETU) repealed the Asset Tax Law. IETU is a tax that co-exists with Income Tax, therefore, the Institution has drawn up projections based on reasonable, reliable assumptions properly supported, which represent Management's best estimate whereby it has identified that the expected trend is that essentially IETU will be paid in future years. Deferred IETU as of December 31, 2008, resulted in an asset amounting to \$1.9 which was not recognized due to the uncertainty of its security in the future.

l Long-term equity investments.-

Long-term trust and equity investments that are not subsidiaries entities, are valued under the equity method considering the financial information reported by such entities. Whenever it is practically impossible to obtain financial information of the entities, the investment is adjusted to zero value or at acquisition cost. The adjustment mechanism is chosen considering the prudential criterion to apply the particular rules set forth in the FRS. The result of applying the equity method is determined as a gain or loss on holding nonmonetary assets.

m Unamortized expenses.-

Installation and organization expenses are recorded at acquisition cost and amortized at an annual rate of 5%, restating the values, if applicable, based on UDI'S inflation factors, in conformity with FRS B-10 "Impact of inflation".

n 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.

o Interbank loans and loans from other agencies.-

Liabilities from interbank loans are recorded based on the contractual value of the obligation. Accrued interest is recognized directly in income of the Institution.

p 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:

### **Indemnifications-**

Payments made to personnel retiring under certain circumstances, which do not substitute retirement, are expensed in the period they are made.

### **Seniority premiums-**

Seniority premiums payable to employees that have completed fifteen or more years of service, as provided for in the Federal Labor Law, are recognized as a cost during the 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, 2008 and 2007.

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 have completed fifteen years or more of service), are dismissed without a justifiable reason or pass away.

In conformity with General Work Conditions (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 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.

#### **q Recognition of interest.-**

Interest generated by outstanding credit operations is recognized and recorded in the statement of income based on the accrued amount. Interest on the overdue 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.

r 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.

s Trusts.-

The operations in which NAFIN acts as Trustee are recorded and controlled in memoranda accounts. According to the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta - ISR*), as Trustee, NAFIN is responsible for the compliance of tax obligations derived from the trusts performing business activities up to the amount of the equity in trust.

t Foreigning operations.-

Monetary and nonmonetary assets and liabilities, as well as items of the income statement of subsidiaries abroad, are translated at the closing exchange rate of the valuation date. The pertinent financial statements were not restated since NAFIN operated in a non-inflationary environment in fiscal 2008.

u Clearing accounts.-

For purposes of presentation of the financial statements, the balance of debit and credit clearance accounts may be offset, provided that the resulting balances are derived from the same type of transactions, which have been carried out with the same counterparty and are liquidated on the maturity date.

v Evaluation of long-lived assets.-

Long-lived assets are valued in accordance with the guidelines set forth in the FRS C-15 "Impairment of the value of long-lived assets and their disposal", which sets forth, among other things, rules for the calculation and recognition of impairment losses on these assets and their reversal. This Bulletin further presents examples of indications of the existence of possible impairment of the value of long-lived assets in use, tangible and intangible assets, including goodwill. In order to calculate impairment loss, recovery value should be determined that is now defined as the higher between the net selling price of a cash generating unit and its value in use (wearing value), which is the present value of future net cash flows, by using an appropriate discount rate. In provisions prior to this Bulletin, future net cash flows referred to purchasing power at the date of evaluation. Consequently, those cash flows were not required to be discounted.

As of December 31, 2008, the Institution shows no indications of impairment as set forth the FRS before mentioned.

## **5 Foreign currency position:**

As of December 31, 2008 and 2007, the foreign currency position translated in to Mexican pesos is comprised as follows:

	2008	2007
Assets	\$ 50,202	\$ 50,258
Liabilities	49,848	42,785
Long position	\$ 354	\$ 7,473

The assets and liabilities in foreign currencies are documented as follows:

	Assets	Liabilities	Net 2008	Net 2007
U.S. dollars	\$ 33,901	\$ 33,593	\$ 308	\$ 7,427
Units of account	13,417	13,421	(4)	(4)
Japanese yens	373	371	2	2
Euros	2,338	2,333	5	1
Sterling pounds	50	7	43	47
Special revolving rights	123	123	-	-
	\$ 50,202	\$ 49,848	\$ 354	\$ 7,473

As of December 31, 2008 and 2007, the exchange rates of the Mexican peso relative to the value of the U.S. dollar were \$13.8325 and \$10.9157, 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, 2008 and 2007, the cash and cash equivalents caption is comprised as follows:

	2008	2007
Cash	\$ -	\$ -
Deposits in BANXICO	11,766	25,520
Deposits in domestic and foreign banks	7,690	10,830
Call Money deposits	3,006	3,797
Security deposits	11	45
Other liquid assets	4	2
Cash and cash equivalents in subsidiaries	4	8
	\$ 22,481	\$ 40,202

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

As of December 31, 2008 and 2007, deposits in domestic and foreign banks included \$76 and \$1,848, respectively, by concept of currency spot sales.

As of December 31, 2008 the Institution maintains Call Money deposits for a maximum term of three banking days, amounting \$3,006, of which \$453 were contracted at an average rate of 8.22% in Mexican pesos, and \$2,553 at an average rate of 0.29% in foreign currency.

Cash and cash equivalents considers spot trading of restricted currencies in a total amount of \$55.

Cash and cash equivalents in foreign currencies as of December 31, 2008, are summarized as shown below:

	Amount	Exchange Rate	Equivalent in Mexican Pesos
Euros	73	19.559160	\$ 1,430
U.S. dollars	624	13.832500	8,635
Sterling pounds	2	19.954770	42
Japanese yens	21	0.1534000	3
			<u>\$ 10,110</u>

As of December 31, 2008, the concept of other liquid assets includes gold coined, amounting to \$2, which are stated at market value.

## 7 Investments in securities:

As of December 31, 2008 and 2007, investments in securities are comprised as follows:

### Trading:

Instrument	2008				2007
	Acquisition cost	Accrued Interest	Valuation	Book Value	Book Value
Development Fund Shares for the Securities Market (FDMV)	\$ 481	\$ -	\$ 352	\$ 833	\$ 1,481
Bondes	6,685	-	(4)	6,681	14,015
Fixed rate Bonds	235	-	2	237	-
Marketable certificates	-	-	-	-	1,264
Segregable Bonds certificates	10	-	-	10	-
Deposit certificates	-	-	-	-	391
Ipabonds	-	-	-	-	80
Udibonds	-	-	-	-	8,008
Debentures and other securities	-	-	-	-	54
Promissories with liquid yield at maturity	-	-	-	-	1,378
<b>Selling securities with value date</b>					
Fixed rate bonds	(315)	-	-	(315)	-
Marketable certificates	(55)	-	-	(55)	-
Segregable marketable certificates	(10)	-	-	(10)	(10)
Udibonds	(40)	-	-	(40)	-

Instrument	2008				2007
	Acquisition cost	Accrued Interest	Valuation	Book Value	Book Value
<b>Financial instruments restricted or granted</b>					
Bondes	10	-	-	10	18
Investments in subsidiaries	96	-	-	96	364
	<b>\$ 7,097</b>	<b>\$ -</b>	<b>\$ 350</b>	<b>\$ 7,447</b>	<b>\$ 27,043</b>

The terms at which these investments are agreed on as of December 31, 2008, at their acquisition cost, are shown below:

Instrument	With no fixed term	Total
Development Fund Shares for the Securities Market (FDMV)	\$ 833	\$ 833
Bondes	6,681	6,681
Fixed rate Bonds	237	237
Segregable marketable certificates	10	10
<b>Selling securities with value date</b>		
Fixed rate Bonds	(315)	(315)
Marketable certificates	(55)	(55)
Segregable marketable certificates	(10)	(10)
Udibonds	(40)	(40)
<b>Financial instruments restricted or granted in guarantee</b>		
Bondes	10	10
Investments in subsidiaries	96	96
	<b>\$ 7,447</b>	<b>\$ 7,447</b>

**Available – for – sale securities:**

Instrument	2008				2007
	Acquisition cost	Accrued Interest	Valuation	Book Value	Book Value
Marketable certificates	\$ 396	\$ 1	\$ (7)	\$ 390	\$ 247
	<b>\$ 396</b>	<b>\$ 1</b>	<b>\$ (7)</b>	<b>\$ 390</b>	<b>\$ 247</b>

The terms at which these investments are agreed on as of December 31, 2008, at their acquisition cost, are shown below:

Instrument	With no fixed Term	Total
Marketable certificates	\$ 390	\$ 390

**Held – to – maturity securities:**

Medium and long – term securities

Instrument	2008			2007
	Acquisition cost	Accrued Interest	Book Value	Book Value
Prides convertible Bonds	\$ 3	\$ -	\$ 3	\$ 3
Fixed rate Bonds	9,182	404	9,586	-
Marketable certificates	1,429	13	1,442	-
Segregable marketable certificates	9,407	143	9,550	-
Deposit certificates	1,810	7	1,817	-
Sovereign debt	1,074	35	1,109	650
Debentures and other securities	468	10	478	427
Udibonds	13,553	345	13,898	-
Total	<u>\$ 36,926</u>	<u>\$ 957</u>	<u>\$ 37,883</u>	<u>\$ 1,080</u>

For fiscal year 2008, interest income for investments in securities amounted \$9,461, the surplus on valuation amounted \$64 and the gain on securities trading amounted \$(367).

In order to incorporate the amendments made by the International Accounting Standards Board to its accounting estimates, which allow for aiding stability and recovery of liquidity on the international markets while allowing for reclassifications of securities, the NBSC issued a special accounting criterion, through Official Communication No. 100-035/2008 dated October 16, 2008 that permits institutions to reevaluate the intent that they have in connection with holding investments in securities. This special accounting criterion could be applied for a single occasion with value dated as of October 1, 2008, by reclassifying securities at the value that they had at that date in the period consisting of the fourth quarter of 2008, provided that there was an express commitment to maintain them in the category toward which they were reclassified, in consideration of the following:

- Lending institutions could reclassify investments in securities that were maintained in the category of trading securities to category of available-for-sale or to the category of held-to-maturity securities, at the last carrying value recognized in the balance sheet at the time when reclassified. For such purposes, the gain or loss on valuation that would have been recognized in income at the date of reclassification will not be subject to any reclassification.
- Lending institutions could reclassify debt securities from the category of available-for-sale securities to the category of held-to-maturity securities, at the last carrying value recognized in the balance sheet at the time when reclassified. The gain or loss previously recognized in stockholders' equity in the valuation at

fair value of these securities should be maintained in the caption of gain or loss on valuation of available-for-sale securities and amortized in income of the period based on the remaining life of the security.

In view of the high volatility recorded on the financial markets during the last quarter of the year and in accordance with the regulatory facilities granted by the authorities (special accounting criterion of the NBSC, Official Communication CNBV 100-035/2008 dated October 16, 2008) to curb possible adverse effects that significantly harm the financial position of lending institutions, NAFIN reclassified various investments in debt securities from the category of trading securities to the category of held-to-maturity securities on October 1, 2008.

The Institution reclassified 159,147,096 securities of the investments in local currency with a carrying value of \$36,040. In the case of investments in foreign currency, a PEMEX FRN Bond was reclassified with a face value of 5 million dlls. Had the reclassification discussed above not been made, the negative effect or loss on valuation at October month-end would amount to \$1,109, whereas it amounted to \$824 at 2008 year-end.

## 8 Securities and derivatives trading:

As of December 31, 2008 and 2007, securities and derivatives trading is comprised as follows:

### a Debit and credit balances under repurchase agreements:

Instrument	2008			2007		
	Assets Value of securities receivable	Liabilities Creditors under repurchase	Difference	Assets Value of securities receivable	Liabilities Creditors under repurchase	Difference
<b>Government securities</b>						
Cetes	\$ 5,413	\$ 5,413	\$ -	\$ 892	\$ 892	\$ -
Bondes	5,553	5,553	-	44,932	44,925	7
Udibonds	-	-	-	6,656	6,667	(11)
Fixed rate bonds	6,481	6,478	3	21,976	22,010	(34)
Ipbonds	922	922	-	5,330	5,326	4
Segregable marketable certificates	-	-	-	2,292	2,307	(15)
	<u>18,369</u>	<u>18,366</u>	<u>3</u>	<u>82,078</u>	<u>82,127</u>	<u>(49)</u>
<b>Banking securities</b>						
Certificates of deposit	130	130	-	1,972	1,981	(9)
Promissories with liquid yield at maturity	1,200	1,200	-	-	-	-
	<u>1,330</u>	<u>1,330</u>	<u>-</u>	<u>1,972</u>	<u>1,981</u>	<u>(9)</u>
<b>Debentures and other securities</b>						
Marketable certificates	-	-	-	1,691	1,680	11
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,691</u>	<u>1,680</u>	<u>11</u>
Subtotal	<u>\$ 19,699</u>	<u>\$ 19,696</u>	<u>3</u>	<u>\$ 85,741</u>	<u>\$ 85,788</u>	<u>\$ (47)</u>

Instrument	2008			2007		
	Assets	Liabilities	Difference	Assets	Liabilities	Difference
	Repurchase Debtors	Value of securities deliverable		Repurchase Debtors	Value of securities deliverable	
<b>Government Securities</b>						
Ipabonds	\$ 7,826	\$ 7,811	\$ 15	\$ -	\$ -	\$ -
	7,826	7,811	15	-	-	-
<b>Debentures and other securities</b>						
Marketable certificates	700	688	12	-	-	-
	700	688	12	-	-	-
Subtotal	\$ 8,526	\$ 8,499	\$ 27	\$ -	\$ -	\$ -
Total	\$ 28,225	\$ 28,195	\$ 30	\$ 85,741	\$ 85,788	\$ (47)

Instrument	2008			2007		
	Assets	Liabilities	Difference	Assets	Liabilities	Difference
	Value of securities receivable	Creditors under repurchase		Value of securities receivable	Creditors under repurchase	
<b>Government Securities</b>						
Bondes	\$ 59,629	\$ 59,632	\$ (3)	\$ -	\$ -	\$ -
Udibonds	5,336	5,337	(1)	-	-	-
Ipabonds	10,051	10,067	(16)	-	-	-
	75,016	75,036	(20)	-	-	-
<b>Debentures and other securities</b>						
Marketable certificates	743	757	(14)	-	-	-
	743	757	(14)	-	-	-
	\$ 75,759	\$ 75,793	\$ (34)	\$ -	\$ -	\$ -

Instrument	2008			2007		
	Assets	Liabilities	Difference	Assets	Liabilities	Difference
	Repurchase Debtors	Value of securities deliverable		Repurchase Debtors	Value of securities deliverable	
<b>Government Securities</b>						
Bondes	\$ 4,537	\$ 4,537	\$ -	\$ 9,786	\$ 9,788	\$ (2)
Cetes	5,412	5,412	-	891	891	-
Fixed rate Bonds	5,369	5,369	-	8,623	8,599	24
Ipabonds	-	-	-	5,406	5,410	(4)
	15,318	15,318	-	24,706	24,688	18
<b>Debentures and other securities</b>						
Marketable certificates	-	-	-	2,003	2,017	(14)
	-	-	-	2,003	2,017	(14)

Instrument	2008			2007		
	Assets Repurchase Debtors	Liabilities Value of securities deliverable	Difference	Assets Repurchase Debtors	Liabilities Value of securities deliverable	Difference
Promissories with liquid yield at maturity	1,200	1,200	-	-	-	-
Subtotal	\$ 16,518	\$ 16,518	\$ -	\$ 26,709	\$ 26,705	\$ 4
Total	\$ 92,277	\$ 92,311	\$ (34)	\$ 26,709	\$ 26,705	\$ 4

As of December 31, 2008 and 2007 valuation result on asset and liability repurchase operations amounted \$(4) and \$(279), respectively, and are recorded in the statement of income, according to the guidelines issued by the NBSC.

In addition, as of December 31, 2008, premiums paid and received amounted \$7,065 and \$3,021 respectively, and were recorded in the statement of income.

The contracting terms of repurchase operations carried out by the Institution range from 1 to 180 days.

**b Operations with derivative financial instruments:**

As of December 31, 2008 and 2007, the Institution maintained balances in operations with derivative instruments as follows:

**For trading purposes:**

<b>December 31, 2008:</b>	Lending	Borrowing	Debit Balance	Credit Balance
Long – position futures	\$ 21	\$ 21	\$ -	\$ -
Short – position futures	144	144	-	-
Long – position forward contracts	341	341	-	-
Short – position forward contracts	512	512	-	-
Valuation of futures	(1)	(1)	-	-
Valuation of forward contracts	75	112	-	37
Total	\$ 1,092	\$ 1,129	\$ -	\$ 37
Swaps	\$ 5,688	\$ 5,725	\$ -	\$ 37

	<u>Lending</u>	<u>Borrowing</u>	<u>Debit Balance</u>	<u>Credit Balance</u>
<b>December, 31 2007:</b>				
Long – position futures	\$ 1,461	\$ 1,461	\$ -	\$ -
Short – position futures	10,991	10,991	-	-
Long – position forward contracts	75,967	75,967	-	-
Short – position forward contracts	83,520	83,520	-	-
Valuation of futures	4	4	-	-
Valuation of forward contracts	(571)	(666)	95	-
Total	<u>\$ 171,372</u>	<u>\$ 171,277</u>	<u>\$ 95</u>	<u>\$ -</u>
Swaps	<u>\$ 754</u>	<u>\$ 747</u>	<u>\$ 7</u>	<u>\$ -</u>

**Hedging instruments:**

**December 31, 2008:**

Swaps	<u>\$ 2,367</u>	<u>\$ 2,489</u>	<u>\$ -</u>	<u>\$ 122</u>
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**December 31, 2007:**

Swaps	<u>\$ 3,203</u>	<u>\$ 2,782</u>	<u>\$ 421</u>	<u>\$ -</u>
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**Futures and forward contracts:**

**Trading instruments:**

**December 31, 2008:**

Transaction	Uderlying	<u>Sales</u>		<u>Purchases</u>		Book Balance
		Contract Value	Receivable	Contract Value	Payable	
Futures	IPC	\$ 21	\$ 20	\$ 144	143	\$ -
Forwards contracts	U.S. Dollars	341	416	512	624	(37)
		<u>\$ 362</u>	<u>\$ 436</u>	<u>\$ 656</u>	<u>\$ 767</u>	<u>\$ (37)</u>

**December 31, 2007:**

Transaction	Underlying	Sales		Purchases		Book Balance
		Contract Value	Receivable	Contract Value	Payable	
Futures	TIE	\$ 1,420	\$ 1,420	\$ 9,639	\$ 9,639	\$ -
	CETES	-	-	883	883	-
	IPC	41	45	469	473	-
Forwards contracts	U.S. Dollars	1,461	1,465	10,991	10,995	-
		75,966	75,395	83,520	82,854	95
		<b>\$ 77,427</b>	<b>\$ 76,860</b>	<b>\$ 94,511</b>	<b>\$ 93,849</b>	<b>\$ 95</b>

NAFIN participates in the Derivatives Mexican Market (called Mercado Mexicano de Derivados, 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-peso forwards, operations over-the-counter 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 counterpart, over the amounts in 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:**

Underlying	Contract Value (Pesos)	Receivable	Payable	Net Position
<b>December 31, 2008:</b>				
Interest rates	\$ 19,850	\$ 5,688	\$ 5,725	\$ (37)
	<b>\$ 19,850</b>	<b>\$ 5,688</b>	<b>\$ 5,725</b>	<b>\$ (37)</b>
<b>December 31, 2007:</b>				
Interest rates	\$ 8,560	\$ 754	\$ 747	\$ 7
	<b>\$ 8,560</b>	<b>\$ 754</b>	<b>\$ 747</b>	<b>\$ 7</b>

**Hedging instruments:**

Underlying	Contract Value (Pesos)	Receivable	Payable	Net Position
<b>December 31, 2008:</b>				
Currency	\$ 1,397	\$ 1,443	\$ 1,783	\$ (340)
Interest Rates	12,634	924	706	218
	<u>\$ 14,031</u>	<u>\$ 2,367</u>	<u>\$ 2,489</u>	<u>\$ (122)</u>
<b>December 31, 2007:</b>				
Currency	\$ 2,068	\$ 2,127	\$ 2,106	\$ 21
Interest Rates	8,560	1,076	676	400
	<u>\$ 10,628</u>	<u>\$ 3,203</u>	<u>\$ 2,782</u>	<u>\$ 421</u>

**Options:**

**Hedging instruments:**

**December 31, 2008:**

Underlying	Contract Value (Pesos)	Premium Collected	Valuation	Net Position
Interest rates	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>December 31, 2007:</b>				
Interest rates	<u>\$ 111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The exchange and interest rate future and forward transactions executed by NAFIN's 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 forwards executed for intermediation purposes, the fair value represents the amount that two parties agree to exchange on, considering that both maintain common sources of information on the principal financial indicators that affect the prices of this type 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 discounted 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 curve among interbank transactions carried out in the Mexican Republic and informed by the price vendor, as well as similar rates in the United States.

The Institution performs various analysis on the underlying markets of derivative instruments negotiated, in order to determine and propose any implied risks in the position of NAFIN, through the risk committee known as Comité de Administración Integral de Riesgos (CAIR, or Risk Administration Committee).

The benefits, costs, and valuations of futures transactions and forward contracts are recognized in the foreign exchange accounts and gains or losses on market valuation, and they are presented in the captions of interest earned, and intermediation result, in the statement of income.

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

As of December 31, 2008 and 2007, the valuation recorded derived from the application of FRS C-10 is discussed in detail below:

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

Underlying item	2008	2007
_____	_____	_____
	Amount of valuation	Amount of valuation
Interest rates		
Bankers' acceptances	\$ (4)	\$ (26)
Marketable certificates	10	16
Promissory note with liquid yield at maturity	3	16
	<u>\$ 9</u>	<u>\$ 6</u>

**Swaps designated as cash flow hedges (application to stockholders' equity):**

Foreign currency		
Peso – Dollars	\$ (3)	\$ (8)
Dollars – Japanese Yen	7	8
	<u>\$ 4</u>	<u>\$ -</u>

**Trading Swaps (application to income):**

Interest rates	<u>\$ (37)</u>	<u>\$ 7</u>
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**9 Credit portfolio:**

As of December 31, 2008 and 2007, the credit portfolio by type of debtor is comprised as follows:

	2008	2007
	_____	_____
<b>Current portfolio</b>		
Commercial lending	\$ 5,647	\$ 7,365
Loans to financial entities	47,192	35,275
Consumer lending	5	5
Mortgage loans	237	216
Loans to government entities	37,443	31,158
	<u>90,524</u>	<u>74,019</u>

**Overdue portfolio**

Commercial lending	182	240
Loans to financial entities	12	14
Consumer lending	6	7
Mortgage loans	28	30
	<u>228</u>	<u>291</u>
Total	<u>\$ 90,752</u>	<u>\$ 74,310</u>

As of December 31, 2008, the credit portfolio by currency is comprised of the following:

	Current	Overdue
Mexican pesos	\$ 53,165	\$ 225
Foreign currency	37,359	3
	<u>\$ 90,524</u>	<u>\$ 228</u>

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 caption.

The commercial lending and loans to government entities portfolios are executed with NAFIN own funds to companies of the private and public sector, and government entities. As of December 31, 2008, government entity transactions include a balance in the amount of \$32,885, applicable to loans granted as Financial Broker, backed by the Federal Government.

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, 2008, the balance of the overdue portfolio for a total of \$228, as from the date in which it was classified as overdue, is comprised as follows:

	Principal and Interest	Amount	Term
Commercial lending	\$ 182	\$ 182	More than 2 years
Loans to financial entities	12	12	More than 2 years
Consumer lending	6	1	1 to 180 days
		1	181 to 365 days
		4	More Than 2 years
Mortgage loans	28	6	1 to 180 days
		22	1 to 2 years
	<u>\$ 228</u>	<u>\$ 228</u>	

As of December 31, 2008, the interest and commissions of the credit portfolio are comprised as follows:

	<u>Interest</u>	<u>Commissions</u>	<u>Total</u>
Commercial lending	\$ 657	\$ 43	\$ 700
Loans to government entities	1,345	-	1,345
Loans to financial entities	2,743	-	2,743
Consumer lending	-	-	-
Mortgage loans	10	-	10
	<u>\$ 4,755</u>	<u>\$ 43</u>	<u>\$ 4,798</u>

The effect derived from suspending the accrual of interest of the overdue portfolio represented a increase in the amount of \$4, with respect to fiscal year 2007.

As of December 31, 2008 the balance of restructured credits is comprised of the following:

	<u>Current</u>	<u>Overdue</u>	<u>Total</u>
Commercial lending	\$ 683	\$ 85	\$ 768
Loans to financial entities	46	-	46
Mortgage loans	4	3	7
	<u>\$ 733</u>	<u>\$ 88</u>	<u>\$ 821</u>

The portfolio subject to Banking Debtor Support Programs as of December 31, 2008 consists of \$5, applicable to 13 loans originally classified to receive the FINAPE (Agreement for the Financing of the Agricultural and Fishing Sector) subsidy, which were trade through the IFNB; these loans are in the nonperforming portfolio and in a recovery process through legal means. The term stipulated for covering most of those credits in full had already expired and most of them had already been applied against preventive reserves as well.

It is worth noting that pursuant to Official Communication No. 112-9/524553/2007 dated December 5, 2006, issued by the National Banking and Securities Commission, the FOPYME support program concluded on October 1, 2007, upon completing the 10 years set forth in Section II discounts on payments of the Agreement of Financial Support and Development of Micro, Small, and Medium-sized Companies.

As of December 31, 2008, the percentage of concentration of the portfolio by sector is as follows:

	<u>%</u>
Federal Government	18.24
IPAB	18.14
Other private financial brokers	31.60
Full Service banking	20.38
Decentralized public agencies and private companies	4.91
Domestic companies	6.36
Private parties	0.37
	<u>100.00</u>

In conformity with Criterion B-6, paragraph 5 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 identified as impaired portfolio.

As of December 31, 2008, impaired commercial lending portfolio is recognized as shown below:

	Degree of risk		Total	Reserve Created
	D	E		
Current	\$ 1	\$ 687	\$ 688	\$ 346
Overdue	27	147	174	165
	<u>\$ 28</u>	<u>\$ 834</u>	<u>\$ 862</u>	<u>\$ 511</u>

In accordance with the provisions of the Federal Revenue Law for Fiscal 2008, effective January 1, 2008, balances payable by Banrural backed by the Federal Government were written off. In that sense and approved by the General Board of Directors, an assignment agreement as a grant without valuable consideration was entered into between NAFIN as the assignor and Banrural, in liquidation, as the assignee on September 29, 2008, in connection with each and every one of the rights derived from the credits, subject matter of discount operations between both institutions, with an unpaid balance as of December 31, 2007. The agreement implied the assignment of credit and litigious rights of the discounted portfolio, retroactively effective as of January 1, 2008.

#### 10 Preventive estimate for credit risks:

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 memoranda accounts subject to evaluation are evaluated based on the balances at the end of each quarter of the year. The provision for credit risks recorded as of December 31, 2008 and 2007, is based on the rating of the portfolio balances at December 31 of those same years, respectively, as follows:

#### December 31, 2008:

Risk	Amount of Liabilities	Estimate of the provision	
		% of reserve	Amount
A	\$ 73,571	0.00 – 0.99	\$ 400
B	7,919	1.00 – 19.99	516
C	1,038	20.00 – 59.99	347
D	28	60.00 – 89.99	20
E	542	90.00 – 100.00	541
Rated portfolio	<u>83,098</u>		<u>1,824</u>
Less: Collateral received in cash	<u>-</u>		<u>50</u>
	83,098		1,774

Excepted portfolio:

Federal Government	33,160	-
Development Banking Institutions	1	-
Additional reserve	-	200
	<u>\$ 116,259</u>	<u>\$ 1,974</u>

Of the rated portfolio, \$50 was reduced from the commercial portfolio rated with a D and E risk weight in the amounts of \$1 and \$49, respectively, for which the pertinent reserve was not created since the Institution has collateral received in cash at NAFIN. The foregoing is presented as a loan portfolio in the respective risk weight in the accounting records.

As of December 31, 2008, the preventive provision for credit risks by type of credits is as follows:

**Specific estimates:**

Loan portfolio.-

Commercial lending	\$ 187
Consumer lending	6
Mortgage loans	23
Loans to financial entities	1,493
Loans to government entities	38
	<u>1,747</u>

**Contingent portfolio.-**

Guarantees by endorsement executed	27
Additional estimates	200
	<u>\$ 1,974</u>

**December 31, 2007:**

Risk	Amount of Liabilities	Estimate of the provision	
		% of reserve	Amount
A	\$ 56,247	0.00 – 0.99	\$ 296
B	2,669	1.00 – 19.99	282
C	83	20.00 – 59.99	33
D	24	60.00 – 89.99	17
E	268	90.00 – 100.00	268
Rated portfolio	<u>59,291</u>		<u>896</u>
Less: Collateral received in cash	-		47
	59,291		849
Excepted portfolio:			
Federal Government	30,908		-
Development Banking Institutions	60		-
Additional reserve	-		50
	<u>\$ 90,259</u>		<u>\$ 899</u>

As of December 31, 2008 and 2007, the preventive provision for credit risks includes \$7, corresponding to the total balance of overdue interest.

The movements in the preventive provision for credit risks are as follows:

	2008	2007
Balances as of January 1°	\$ 899	\$ 889
Additions:		
Reserves created for credit risks	1,534	368
Slippage of the foreign currency reserve	25	1
	<u>2,458</u>	<u>1,258</u>
Applications:		
Discounts on debts recovered	18	14
Write – off of reserves in excess	360	342
Credits transferred to memoranda accounts	2	3
Uncollectible debts	2	-
Condonations	102	-
Balances as of December 31	<u>\$ 1,974</u>	<u>\$ 899</u>

#### 11 Other receivables:

As of December 31, 2008 and 2007, this line item is summarized as follows:

	2008	2007
Loans to Institution personnel	\$ 1,933	\$ 1,877
Clearing accounts	198	13
Other debtors	356	472
Receivables for commissions on current trading activities	64	37
Other receivables of subsidiaries	137	136
Estimates for write-offs of other receivables	(145)	(137)
	<u>\$ 2,543</u>	<u>\$ 2,398</u>

#### 12 Floreclosed and repossessed property:

As of December 31, 2008 and 2007, the foreclosed and repossessed property is comprised of the following:

	2008	2007
Real property	\$ 71	\$ 71
Securities	20	16
Subtotal	<u>91</u>	<u>87</u>
Estimation for write-offs	(88)	(83)
Net	<u>\$ 3</u>	<u>\$ 4</u>

Write-offs of foreclosed and repossessed property amounted to \$1 in 2007 and none in 2008.

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

Moreover, based on the provision set forth in temporary provision SIX of the general provisions applicable to the rating methodology of credit portfolio, issued in 2004, the NBSC authorized the initial effect of the first application of these provisions to be recognized in stockholders' equity, instead of applying it to the statement of income.

**13 Long - term equity investments and other investments:**

The investments that comprise these captions of the balance sheet are the following:

	2008	2007
<b>Long – term equity investments:</b>		
Corporación Andina de Fomento	\$ 518	\$ 377
Other	27	39
Subtotal	545	416
Investments of subsidiaries	1,269	1,325
	\$ 1,814	\$ 1,741
<b>Other investments:</b>		
Fideicomiso Nafin Riesgo Crediticio	\$ 2,922	\$ 1,599
Fideicomiso al Mercado Intermedio de Valores	3	2
Equity in other trusts	37	36
	\$ 2,962	\$ 1,637

**14 Deferred taxes:**

The CINIF issued FRS D-4 “Taxes on earnings” in July 2007. Application of its provisions is mandatory for fiscal years that began as of January 1, 2008.

FRS D-4 includes accounting provisions for both, taxes due on earnings in the year, as well as deferred effects derived from operations and other economic events recognized in the financial statements.

Tax loss carryforwards were not considered by the Institution in the determination of deferred taxes in view of the uncertainty of having enough taxable income in the future to apply deferred taxes.

The major concepts included in the accounts of deferred taxes are as follows:

	2008		2007	
	ISR	PTU	ISR	PTU
<b>Liabilities</b>				
Prepaid expenses	\$ 2	\$ -	\$ 2	\$ -
<b>Assets</b>				
Stock	2	-	2	-
Total	\$ -	\$ -	\$ -	\$ -

Consolidated deferred taxes amounted to \$8, and \$393 in 2008 and 2007, respectively.

Furthermore, in December 2007, the CINIF issued the interpretation of Financial Reporting Standards IFRS-8 Effects of Corporate Flat Tax (IETU) which sets forth the obligation that deferred IETU be recognized in fiscal 2007. This means that even though the IETU went into effect starting 2008, due to economic importance, the Institution will have to recognize an obligation or a recovery of economic benefits in 2007, even though its realization is contemplated effective 2008. The enactment of the Law itself is considered the event that generates a IETU liability accrual or a deferred asset.

The main items included in the determination and calculation of deferred IETU as of December 31, 2008 are: Fixed assets acquired from September to December 2007 and balance not yet deducted from fixed assets acquired from January 1998 to August 2007.

### 15 Term deposits:

As of December 31, 2008 and 2007, the maturities of these instruments are as follows:

	2008	2007
Less than one year	\$ 93,731	\$ 87,184
At five years	1,100	1,220
At ten years	40	253
At twenty years	226	226
	95,097	88,883
Unpaid accrued interest	1,043	1,322
	\$ 96,140	\$ 90,205

### 16 Bank bonds:

The balance of this account is comprised as follows:

	Maturity	2008	2007
NAFTIIE	2008	\$ -	\$ 763
UDITRAC	2008	-	-
Zero Coupon Bonds	2010	2	2
Marketable certificates	2010	2,000	2,000
		2,002	2,765
Unpaid accrued interest		51	55
		\$ 2,053	\$ 2,820

Returns on these instruments are referenced to the CETES discount rates, the Average Interbank Interest Rate (AIIR) and the Equilibrium Interbank Interest Rate (EIIIR).

**17 Securities placed abroad:**

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

	Amount in foreign currency	Equivalence in Mexican pesos
<b>December 31, 2008:</b>		
US dollars	608	\$ 8,417
Euros	60	1,174
		<u>\$ 9,591</u>
 <b>December 31, 2007:</b>		
US dollars	539	\$ 5,889
Euros	48	768
		<u>\$ 6,657</u>

As of December 31, 2008 and 2007, the maturity of securities for a term of less than a year amount \$9,591 and \$6,657, respectively.

**18 Interbank loans and other loans:**

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

	2008	2007
Multinational and governmental agencies:		
World Bank	\$ 16,469	\$ 13,891
Inter – American Development Bank	18,541	17,402
Japan Bank International Cooperation (before Eximbank)	-	180
Others	120	128
	<u>35,130</u>	<u>31,601</u>
 Foreign bank institutions	1,060	970
Domestic bank institutions	3,270	3,681
Other loans	590	593
Unpaid accrued interest	322	306
	<u>\$ 40,372</u>	<u>\$ 37,151</u>

As of December 31, 2008 and 2007, the maturity of loans for a term of less than a year amount \$16,078 and \$8,681, respectively.

At 2008 year-end, Interbank loans and other loans are summarized as follows:

Currency	Financial Institution	Rate	Term	Balances	
				Foreign currency	Mexican Pesos
Mexican pesos	Banco de México	8.3	30 days	\$	1,000
	Banco de México	8.35	30 days		1,500
	Federal Government	CETES 28 days	15 years		135
				\$	<u>2,635</u>
USD					
Dollars	Bank of America National Trust	5.0	25 years	0.1	2
	Banamex, S.A.	1.88	91 days	50.0	692
	Instituto de Crédito Oficial de España	1.5	20 years	0.5	7
	Instituto de Crédito Oficial de España	1.25	30 years	7.7	107
	Instituto de Crédito Oficial de España	1.5	30 years	5.4	75
	Nordic Investment Bank	2.3	10 years	3.5	48
	Nordic Investment Bank	3.5338	10 years	8.0	111
	Federal Government	Libor 3 months + 0.5	15 years	23.7	328
	Federal Government	Libor 3 months	15 years	9.2	127
				<u>1,497</u>	
Euros	Banjercito, S.N.C.	0.95	2 days	4.0	78
	Natexis Banque	2.0	30 years	35.6	698
	Netherlands Investment Bank	3.5	30 years	0.6	12
				<u>788</u>	
Interest					19
Total				\$	<u>4,939</u>

Currency	Financial Institution	Rate	Term	Balances	
				Foreign currency	Mexican Pesos
<b>FINANCIAL AGENCY:</b>					
Mexican pesos	BID				
		0.00	25 years		1
USD Dollars	BID	4.0986	12 years	180.0	2,490
	BID	5.15	15 years	175.0	2,421
	BID	5.15	21 years	10.6	147
	BID	3.0	25 years	1.6	23
	BIRF	4.7954	9 years	0.8	11
	BIRF	4.09	10 years	505.1	6,986
	BIRF	4.0153	10 years	505.1	6,986
	BIRF	4.5806	15 years	179.7	2,486
				<u>21,550</u>	
Euros	BID	3.00	25 years	9.9	194
					<u>194</u>

Units of Account	BID	4.25	15 years	65.9	1,613
	BID	4.25	20 years	457.8	<u>11,652</u>
					13,265
Special drawing Rights (SDRs)	FIDA	7.0701	15 years	1.4	31
	FIDA	7.0701	18 years	4.1	<u>89</u>
					120
Interest					<u>303</u>
Total					<u>35,433</u>
Grand Total					<u>\$ 40,372</u>

#### 19 Other accounts payable:

This caption is comprised of the following reserves and provisions:

	2008	2007
Provision for tax payments (IETU, ISR and EPS)	\$ 160	\$ 108
Provisions for other items	158	111
Clearing accounts	2	
Other liabilities	2,451	1,393
Security deposits	57	53
Other payable accounts of subsidiaries	366	33
Additional obligations for labor benefits (Note 31)	<u>1,960</u>	<u>1,973</u>
	<u>\$ 5,154</u>	<u>\$ 3,671</u>

#### 20 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 a 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.

On the other hand, the transition provisions of the GLC dated August 12, 1994 set forth that workers who entered the Institution prior to that date and are either 55 years old and have 30 years of service, 60 years old and 26 years of service or 60 years old and have 5 years of seniority, will be eligible for a retirement pension pursuant to the terms of the GLC referred to above.

In the event of an unjustified dismissal or termination of the labor relationship, if the individual is 50 years old and has 16 or more years of seniority, that employee can decide on the indemnification or have retirement pension, based on the proportion explained in the first paragraph regarding the main characteristics of the retirement plan.

Transition Article Five paragraph a) of the CGT, 2007 review, sets forth that persons who have obtained a pension for disablement, disability or retirement at a date prior to this review and those workers who have joined the Institution at a date prior to the effectiveness of this review to whom the Defined Retirement Benefit Plan applies, will continue to enjoy the right to receive the following additional benefits from the Institution at the time when they retire:

a) Short-term loans, medium-term loans, and Special Loan for Savings, which will be paid with a charge to administration and promotion expenses with an 18% net guaranteed return of the maximum capacity to invest that will be calculated on 41.66% of the net monthly pension multiplied by 72 months, as well as the available capacity that will be over 50% of the net pension, less the month deductions from the short and medium-term loans with capital and interest multiplied by 72 months, with a 41.66% cap or ceiling of the monthly net pension. The Special Loan for Savings will accrue a 1% rate annual interest on its amount, which will be withheld by the Institution.

Pursuant to the foregoing, the Institution had a cost for loans to retired personnel amounting to \$106 during 2008. That cost was \$89 in 2007.

At the Board of Directors Meeting of the Institution held in March 2008, a recommendation was made to perform an actuarial study to determine the Reserve associated with the complement for the Special Loan for Savings or PEA and Loans of Retirees and, if applicable, increase the Pension Fund as necessary.

Toward that end, an estimate was made of the reserves, considering the current structure of the PEA and Loans of Retirees, under a 4% inflation scenario, and a 4.25% real return rate of investments in the respective Fund (similar to the current Pension Fund).

#### Results:

The estimated Reserve for 2008 year-end, in accordance with the actuarial calculation, amounted to \$2,096. The book effects were analyzed at various meetings, and it was concluded that it involved obligations that dated back to prior years pursuant to the results of the actuarial calculation itself. Accordingly, the Institution decided to make the following book entry:

- \$84 applicable to fiscal 2008, in the Income Statement of the Institution.
- \$2,012 in stockholders' equity in the caption of loss from previous periods.

Pursuant to the foregoing, these amounts were recognized in the financial statements as of December 31, 2008, which had a negative impact on the level of capitalization of 2.27 percentage points, placing it at 12.47%.

Moreover, at the Board of Directors meeting held on February 4, 2009, the following was authorized:

- Create the reserve for the complement of the PEA and Loans for Retirees under the Defined Benefit Plan, and make book entries for their recognition in the amount of \$2,096 at 2008 year-end.
- Draw down \$2,096 of the Institution's available cash resources to contribute them to the specific Trust used for these purposes, in order to have the necessary resources to meet the obligations derived from the above benefits for retirees.
- Formally process the amendment to 2009 Cash Flows (Revenues and Expenditures of the Financial Program) with the Ministry of Finance and Public Credit for the funds contributed and/or received, if applicable, during the year for the purposes discussed above.

The net cost of the period that was included in income of fiscal years 2008 and 2007 amounted to \$194 and \$72, respectively.

As of December 31, 2008 and 2007, the fund for labor obligations amounts to \$4,547 and \$4,804, respectively, and it is fully invested in an irrevocable trust created in NAFIN.

In accordance with the provisions of FRS D-3 "Employee benefits", NAFIN recognized the effect of liabilities for "other postretirement benefits" in its financial statements, at fiscal 2008 year-end. The net cost of the period recorded in income of the Institution amounted to \$101, and the liability for the same item amounted to \$230.

Bufete Matematico Actuarial, S. C. and Prevencion de Contingencias, S. A. performed the actuarial calculation as of June 30, 2006, and determined that the Institution had pension obligations in the amount of \$6,585. The balance in the pension fund amounted to \$3,612, thereby presenting a deficit amounting to \$2,973.

To contribute to the comprehensive solution of the NAFIN's current pension system, the Federal Government (SHCP) made a capital contribution to Nacional Financiera, S.N.C. in the amount of \$2,500 (nominal) on December 29, 2006. On the same date, Nacional Financiera contributed those same funds amounting to \$2,500 (nominal) to the Institution's Pension Fund Trust.

Pursuant to the foregoing, the contribution amounting to \$2,500 to increase the plan assets generated a "Projected Net Asset" that reduced the debit effect in stockholders' equity, and eliminated the additional liability, as well as the intangible asset that had been recorded at the time when the contribution was received from the Federal Government.

At fiscal 2007 year-end, the unamortized balance of the above reserve amounted to \$2,298, of which \$245 were going to be amortized during fiscal 2008. Accordingly, the remaining balance would amount to \$2,053 as of December 2008.

Finally, having recognized the liability and already having the necessary funds to deal with the above, it is considered that the application discussed above generates a logical, reasonable financial result. Accordingly, the Board of Directors of the Institution authorized the creation of the provision of the labor liability associated with the contributions made to the pension fund in December 2006, at its meeting held on February 4, 2009.

The Actuarial Valuation of the Reserve for Personnel and the Actuarial Valuation of the Reserve of Other Retirement Benefits, which mainly considers medical service expenses, were prepared by an independent actuary, who performed the calculations of labor obligations in accordance with the provisions of the NBSC and FRS D-3 "Employee benefits".

Following is a summary of the actuarial calculations as of December 31, 2008:

### Calculation hypothesis

#### Demographics

- a) Mortality rate: the rates shown on the EMSSA Mortality Table Not invalid 1997, for the period prior to retirement and for the retirement period. It was considered that mortality is 0 at 60 years of age.
- b) Disability rates: Product of experience IMSS-1997.
- c) Turnover rates: Bufete Matemaático Actuarial\_rev 2007.

#### Economic

Financial hypotheses are shown in the following chart:

	<u>2008</u>
Rate of return of assets	8.68%
Discount rate for before retirement	8.68%
Discount rate for after retirement	8.68%
Rate of salary increase	4.52%
Rate of Increase of Costs of Medical Services	6.60%
Rate of minimum wage increase	4.00%
Rate of increase of pensions	4.00%

In accordance with the information furnished by the Institution, salaries generally increase in accordance with the minimum wage, and it is considered that the rate of increase of salaries used already contemplates salary growth.

Due to the crisis on the markets and resulting instability of rates, the actuary had to make a greater inquiry with experts of financial circles and review long-term expectations issued by the Central Bank of Mexico, in order to validate his proposed financial hypotheses considering, among other things, the two following parameters:

**Long-term inflation:** Taking into consideration that the estimate of inflation for this year is close to 6% and estimates of inflation for the 2008-2010 period, it is expected that it will go decreasing until it returns to levels between 3.5% and 4%, in accordance with information from the Central Bank of Mexico.

**Long-term interest rates:** In accordance with paragraph 76 of FRS D-3, the following should be observed: "The parameters used to determine interest rates should take into account financial instruments representative of the market as a reference, issued in the long-term of a low risk factor, using a long-term interest curve." In connection with this point, the main trustees and investment advisors have recommended that the Bond rate be

considered at 10 years. The data of auctions since 2005 appears in the table presented below. These are nominal returns that have had an annual trend of around 8% - 8.5%, in accordance with what has happened in the world economy, but valuations have avoided taking peaks and sought to avoid variations in the calculation of labor obligations from one year to another:

Date of auction	Rate Bond 10	Date of auction	Rate Bond 10	Date of auction	Rate Bond 10	Date of auction	Rate Bond 10
06-Jan-05	10.02	05-Jan-06	8.25	01-Feb-07	7.96	31-Jan-08	7.65
03-Mar-05	10.04	02-Feb-06	8.21	01-Mar-07	7.99	13-Mar-08	7.53
31-Mar-05	10.47	03-Feb-06	9.62	29-Mar-07	7.65	24-Apr-08	7.72
28-Apr-05	10.41	02-Mar-06	7.84	26-Apr-07	7.62	05-Jun-08	8.25
26-May-05	9.84	30-Mar-06	8.65	24-May-07	7.70	17-Jul-08	9.26
23-Jun-05	9.56	27-Apr-06	8.57	21-Jun-07	7.56	28-Aug-08	8.55
21-Jul-05	9.37	25-May-06	8.81	05-Jul-07	7.62	09-Oct-08	8.50
18-Aug-05	9.40	22-Jun-06	9.73	16-Aug-07	7.90	20-Nov-08	9.82
15-Sep-05	8.50	20-Jul-06	8.69	27-Sep-07	7.88		
13-Oct-05	8.85	17-Aug-06	8.08	08-Nov-07	7.93		
10-Nov-05	8.73	14-Sep-06	8.23	20-Dec-07	8.09		
08-Dec-05	8.45	12-Oct-06	8.40				
		09-Nov-06	7.88				
		07-Dic-06	7.56				

In addition to the hypothesis discussed above, the following hypotheses are employed for other retirement benefits:

Age difference of spouses

When the age of the spouse is not known, the husband is considered three years older and the wife three years younger.

Married Status

When it is not possible to know the married status, it is considered that 70% of employees who retire have a spouse covered by the Medical Services plan of Nacional Financiera, S.N.C.

Participation Rate

100% of employees who retire are eligible for Medical Services.

**System and financing instrument.**

The projected unit credit system was followed in accordance with FRS D-3.

**Retirement, Seniority Bonus, and Other Retirement Benefits**

The Institution has a trust fund.

The analysis of the results of the actuarial valuation performed shows the following:

This actuarial valuation was prepared in accordance with FRS D-3, which is the accounting rule that substituted Bulletin D-3, effective January 1, 2008.

With the effectiveness of FRS D-3, there are changes in the amortization periods which, in some cases, leave them to the criterion of the Institution itself. Moreover, it makes a separation between benefits for termination

and retirement benefits. It further establishes a change in the terminology used. Moreover, there are not adjustments for inflation. Nominal rates are used in the calculations and the additional liability, intangible asset and, if applicable, adjustments to stockholders' equity disappear.

For benefits at termination, that is, payments for Seniority Bonuses before the retirement age, the transition liability, amendments of plan, and actuarial gains or losses should be recognized as generated. However, it permits the unamortized transition liability and amendments of plan as of January 1, 2008 to be recognized in what is lower between the expected years of service and 5 years.

For retirement benefits, which are Retirement payments, for other postretirement benefits, and for Seniority Bonuses at retirement age, the unamortized transition liability should be amortized at the minimum between the expected years of service and 5 years. The transition liability generated after January 1, 2008 should be amortized over the expected years of service.

It sets forth that the Institution may choose to recognize actuarial gains and losses in income, as generated or to continue to amortize them.

NAFIN chose to recognize actuarial gains and losses in the remaining years of service.

The contribution made by the Federal Government in 2006 was intended to cover unamortized items for transition liabilities, prior services, and assumption changes, and adjustments on experience (currently actuarial (gains)/losses) existing at the date of receipt of the money, and amortize them according to the period for each one of them.

However, effective December 31, 2006, the Institution recognized the total of the above unamortized items covered by the contribution made by the Federal Government.

It is worth clarifying that any amendment of plan or (gains)/losses generated after fiscal 2006 apply to the Institution.

An event presented in the valuation was early retirements. The effect generated by early retirements in the items of retirement and other retirement benefits was covered by the Federal Government.

Moreover, a reduction in personnel occurred whose effect decreased some of the unamortized items and forms part of the net cost of the period.

### **Retirement**

- Defined Benefits Obligations at the date of valuation amount to \$4,521, of which \$3,691 apply to retired personnel and \$830 to active personnel.
- Plan assets amount to \$4,522 at the date of valuation. It is worth noting that the level of financing of obligations of active personnel decreased 102%, whereas the Institution has 100% of the obligations of retired personnel.
- The book provision amounts to \$48 at 2008 year-end.
- The decrease in personnel resulted in a gain amounting to \$14.

- Total actuarial (gains)/losses resulted in a loss amounting to \$154. After applying the effect of personnel reduction, they amount to \$140, which will be amortized over a period of 8.10 years.
- The net cost of the period at 2008 year-end amounts to \$73, and includes \$90 which is the effect for early retirement of personnel that was covered by the Federal Government through a contribution in the same amount. The remaining balance, that is \$(17), which was the net cost of the period determined at the beginning of the year, was transferred to the other retirement benefits contract.
- The net cost of the period of 2009 was determined in the amount of \$44, and the recommended contribution is in the same amount.

### Seniority Bonuses

- The actuarial study presents the separation of the seniority bonus for benefits at retirement and benefits for termination. However, comments will be global.
- Defined benefit obligations amount to \$32.
- The book provision amounts to \$4 at 2008 year-end.
- Plan assets amount to \$35 at the date of valuation. It is worth noting that the level of financing of personnel obligations surpasses 100%.
- The gain or loss on reduction of personnel to form part of the net cost of the period was also determined in seniority bonuses. Moreover, it is worth noting that gains or losses of the year are recognized entirely in the part of seniority bonuses for termination, and form part of the net cost of the period.
- The net cost of the period at the beginning of fiscal 2008 was determined in the amount of \$2, which was changed by actuarial (gains)/losses, and by the effects of early liquidation/reduction. Consequently, it is \$(2) at 2008 year-end.
- Nacional Financiera contributed \$2 of the cost at the beginning of 2008.
- The net cost of the period for 2009 is \$1 for PA Benefits at Retirement, whereas it was determined in \$0.3 for Benefits for Termination. In both cases, it is not recommended to contribute to the fund.

### Other Benefits at Retirement

- Defined Benefits Obligations at the date of valuation amount to \$3,190, of which \$2,564 apply to retired personnel and \$626 to active personnel.
- Plan assets amount to \$2,283 at the date of valuation. It is worth noting that the obligations of both active and retired personnel have not been covered 100% yet.
- The book provision amounts to \$14 at 2008 year-end.
- It is worth noting that \$17 was transferred from the pension contract.
- Personnel reduction resulted in a gain amounting to \$11, which decreased total actuarial (gains)/losses. The loss amounted to \$894.
- The net cost of the period amounts to \$135 at 2008 year-end, which includes \$25 of the effect for early retirement of personnel which the Federal Government covered through a contribution. The Institution covered a contribution in the amount of \$93 and \$25 was covered by the contribution made by the Federal Government on December 31, 2006.

- The net cost of the period amounts to \$156 for 2009, and it is recommended that a contribution be made in the same amount.

It is worth noting that net costs of the period for 2009 can be changed by events such as early retirements, early liquidations/decreases in obligations, and by (gains)/losses of the period.

**NACIONAL FINANCIERA, S.N.C.  
 RETIREMENT PENSION PLAN  
 RECONCILIATION OF UNAMORTIZED ITEMS  
 AS OF DECEMBER 31, 2008**

**1.- ACTUARIAL (GAIN)/LOSS**

Actuarial (Gain)/loss as of January 1 <sup>o</sup> , 2008	\$	(514)
Net actuarial (gain)/loss as of January 1, 2008		(4)
Unamortized actuarial (Gain)/loss as of January 1, 2008		(510)
Actual balance of the fund as of December 31, 2008		4,340
Estimated fund		4,844
Actuarial (gain) / loss on estimate of the fund		504
Actual defined benefit obligations		4,446
Estimated defined benefit obligations		4,286
Actuarial (gain) / loss on estimate of the DBO		160
Total actuarial (gain) / loss of the period		664
Total actuarial (gain) / loss	\$	<u>154</u>

**2.- ACTUARIAL (GAIN)/LOSS (Total)**

Total actuarial (gain) / loss	\$	154
Effect of early liquidation / reduction of obligations		(14)
Total actuarial (gain) / loss after liquidation / reduction of obligations	\$	<u>140</u>

**NET ACTUARIAL (GAIN)/LOSS**

1.- Total actuarial (gain) / loss		140
2.- Defined benefit obligation		4,521
3.- Plan assets		4,430
4.- Higher between (2) and (3)		4,521
5.- 10% of (4)		452
6.- Actuarial (gain) / loss in excess of (5)		-
7.- Amortization period		8.10
8.- Net actuarial (gain) / loss	\$	<u>-</u>

**NACIONAL FINANCIERA, S.N.C.  
 RETIREMENT PENSION PLAN  
 NET COST OF THE PERIOD FOR 2008**

1.- Current labor service cost		
A. Amount at beginning of year	\$	33
B. Interest of the year		3
C. Total current labor service cost		36
Labor cost of percentage present service over the annualized payroll		13.47%
2.- Financial cost		
A. DBO at beginning of year	\$	4,211
B. Expected payments		306
C. Average DBO		4,058
D. Financial cost		352
Percentage financial cost over annualized payroll		133.65%
3.- Expected return on plan assets		
A. Balance at beginning of year		4,773
B. Expected payments		306
C. Recommended annual contribution		-
D. Average reserve		4,620
E. Return rate of the reserve		8.68%
F. Expected returns		(401)
Expected percentage return over annualized payroll		152.16%
4.- Amortization of the period		
A. Prior labor service cost		
- Beginning transition liability / (asset)		-
- Amendments of plan		-
- Change of methodology		-
B. Net actuarial (gain) / loss		(4)
C. Total amortization of the period		(4)
Unpaid percentage cost over annualized payroll		1.43%
5.- Net cost at beginning of year		(17)
6.- Effect of early liquidation / reduction of obligations		90
7.- Annual net cost	\$	73
Early annual percentage cost over annualized payroll		<u>27.55%</u>

**RETIREMENT PENSION PLAN  
 CONTRIBUTION TO PENSION FUND FOR 2008**

Recommended annual contribution	\$	(17)
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**NACIONAL FINANCIERA, S.N.C.**  
**SENIORITY BONUS (BENEFITS AT RETIREMENT)**  
**RECONCILIATION OF UNAMORTIZED ITEMS**  
**AS OF DECEMBER 31, 2008**

**1.- PRIOR SERVICE FOR AMENDMENTS TO PLAN**

(For changes in the date of retirement of personnel who migrated from the plan)

**RECONCILIATION OF PRIOR SERVICE FOR AMENDMENTS TO PLAN**

Opening balance	\$	-
Prior labor service cost		-
Final balance		-

**2.- PRIOR SERVICE FOR CHANGE OF METHODOLOGY**  
**RECONCILIATION OF PRIOR SERVICE FOR CHANGE OF**  
**METHODOLOGY**

Opening balance		-
Prior labor service cost		-
Final balance		-

**3.- ACTUARIAL (GAIN)/LOSS**

Actuarial (Gain)/loss as of January 1, 2008		-
Net actuarial (gain)/loss as of January 1, 2008		-
Unamortized actuarial (Gain)/loss as of January 1, 2008		-

Actual balance of the fund as of December 31, 2008		19
Estimated fund		20
Actuarial (gain) / loss on estimate of the fund		1

Actual defined benefit obligations		21
Estimated defined benefit obligations		19
Actuarial (gain) / loss on estimate of the DBO		2

Total actuarial (gain) / loss of the period		2
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Total actuarial (gain) / loss		2
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**4.- ACTUARIAL (GAIN)/LOSS (Total)**

Total actuarial (gain) / loss		2
Effect of early liquidation / reduction of obligations		(2)
Total actuarial (gain) / loss	\$	-

**NET ACTUARIAL (GAIN)/LOSS**

1.- Total actuarial (gain) / loss		2
2.- Defined benefit obligation		19
3.- Plan assets		19
4.- Higher between (2) and (3)		19
5.- 10% of (4)		2
6.- Actuarial (gain) / loss in excess of (5)		-
7.- Amortization period		10.76
8.- Net actuarial (gain) / loss	\$	-

**NACIONAL FINANCIERA, S.N.C.**  
**SENIORITY BONUS (BENEFITS AT RETIREMENT)**  
**NET COST OF THE PERIOD FOR 2008**

1.- Current labor service cost		
A. Amount at beginning of year	\$	1
B. Interest of the year		-
C. Total current labor service cost		1
Labor cost of percentage present service over the annualized payroll		0.23%
2.- Financial cost		
A. DBO at beginning of year		17
B. Expected payments		-
C. Average DBO		17
D. Financial cost		1
Percentage financial cost over annualized payroll		0.38%
3.- Expected return on plan assets		
A. Balance at beginning of year		17
B. Expected payments		-
C. Recommended annual contribution		1
D. Average reserve		18
E. Return rate of the reserve		8.68%
F. Expected returns		(2)
Expected percentage return over annualized payroll		0.39%
4.- Amortization of the period		
A. Prior labor service cost		
- Beginning transition liability / (asset)		-
- Amendments of plan		-
- Change of methodology		-
B. Net actuarial (gain) / loss		-
C. Total amortization of the period		-
Unpaid percentage cost over annualized payroll		0.01%
5.- Effect of early liquidation / reduction of obligations		-
6.- Annual net cost	<u>\$</u>	<u>1</u>
Early annual percentage cost over annualized payroll		0.21%

**SENIORITY BONUS (BENEFITS AT RETIREMENT)**  
**CONTRIBUTION FOR 2008**

Recommended annual contribution	\$	1
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**NACIONAL FINANCIERA, S.N.C.**  
**SENIORITY BONUS (BENEFITS FOR TERMINATION)**  
**RECONCILIATION OF UNAMORTIZED ITEMS**  
**AS OF DECEMBER 31, 2008**

**1.- PRIOR SERVICE FOR AMENDMENTS TO PLAN**

(For changes in the date of retirement of personnel who migrated from the plan)

**RECONCILIATION OF PRIOR SERVICE FOR AMENDMENTS TO PLAN**

Opening balance	\$	-
Prior labor service cost		-
Balance before early liquidation / reduction of obligations		-
Effect of early liquidation / reduction of obligations		-
Final balance after early liquidation / reduction of obligations		-
Average years of service		4
Prior labor service cost		-

**2.- PRIOR SERVICE FOR CHANGE OF METHODOLOGY**

**RECONCILIATION OF PRIOR SERVICE FOR CHANGE OF METHODOLOGY**

Opening balance		-
Prior labor service cost		-
Final balance		-

**3.- ACTUARIAL (GAIN)/LOSS**

Actuarial (Gain)/loss as of January 1, 2008		-
Actual balance of the fund as of December 31, 2008		17
Estimated fund as of December 31		15
Actuarial (gain) / loss on estimate of the fund		(2)
Actual defined benefit obligations		13
Estimated defined benefit obligations		14
Actuarial (gain) / loss on estimate of the DBO		(2)
Actuarial (gain) / loss of the period		(3)
Total actuarial (gain) / loss	\$	(3)

**NACIONAL FINANCIERA, S.N.C.**  
**SENIORITY BONUS (BENEFITS FOR TERMINATION)**  
**NET COST OF THE PERIOD FOR 2008**

1.- Current labor service cost		
A. Amount at beginning of year	\$	1
B. Interest of the year		-
C. Total current labor service cost		1
Labor cost of percentage present service over the annualized payroll		0.18%
2.- Financial cost		
A. DBO at beginning of year		14
B. Expected payments		3
C. Average DBO		12
D. Financial cost		1
Percentage financial cost over annualized payroll		0.28%
3.- Expected return on plan assets		
A. Balance at beginning of year		14
B. Expected payments		3
C. Recommended annual contribution		1
D. Average reserve		13
E. Return rate of the reserve		8.68%
F. Expected returns		(1)
Expected percentage return over annualized payroll		0.29%
4.- Amortization of the period		
A. Prior labor service cost		
- Beginning transition liability / (asset)		-
- Amendments of plan		-
- Change of methodology		-
B. Total amortization of the period		-
Unpaid percentage cost over annualized payroll		0.00%
5.- Unrecognized actuarial (gain) / loss at beginning of period		-
Expected percentage cost over annualized payroll		0.04%
6.- Estimated annual net cost at beginning of year		1
Early annual percentage cost over annualized payroll		0.21%
7.- Actuarial (gain) / loss of the period		(3)
Expected percentage cost over annualized payroll		0.89%
8.- Effect of early liquidation / reduction of obligations		-
9.- Annual net cost	<u>\$</u>	<u>(2)</u>
Early annual percentage cost over annualized payroll		0.62%

**SENIORITY BONUS (BENEFITS FOR TERMINATION)**  
**CONTRIBUTION TO PENSION FUND FOR 2008**

Recommended annual contribution	\$	1
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**NACIONAL FINANCIERA, S.N.C.**  
**OTHER BENEFITS AT RETIREMENT**  
**RECONCILIATION OF UNAMORTIZED ITEMS**  
**AS OF DECEMBER 31, 2008**

**1.- PRIOR SERVICE FOR AMENDMENTS TO PLAN**

(For changes in the Retirement age of Personnel who Migrated from the Plan)

Date of determination 28/02/2007

**RECONCILIATION OF PRIOR SERVICE FOR AMENDMENTS TO PLAN**

Opening balance	\$ -
Prior labor service cost	-
Final balance	<u>\$ -</u>

**2.- PRIOR SERVICE FOR CHANGE OF METHODOLOGY**  
**RECONCILIATION OF PRIOR SERVICE FOR CHANGE OF METHODOLOGY**

Opening balance	-
Prior labor service cost	-
Final balance	<u>\$ -</u>

**3.- ACTUARIAL (GAIN)/LOSS**

Actuarial (Gain)/loss as of January 1, 2008	661
Net actuarial (gain)/loss as of January 1, 2008	26
Unamortized actuarial (Gain)/loss as of January 1, 2008	<u>\$ 635</u>

Actual balance of the fund as of December 31, 2008	2,257
Estimated fund	2,358
Actuarial (gain) / loss on estimate of the fund	<u>\$ 101</u>

Actual defined benefit obligations	3,176
Estimated defined benefit obligations	3,007
Actuarial (gain) / loss on estimate of the DBO	<u>\$ 169</u>

Total actuarial (gain) / loss of the period 270

Total actuarial (gain) / loss \$ 905

**4.- ACTUARIAL (GAIN)/LOSS (Total)**

Total actuarial (gain) / loss	905
Effect of early liquidation / reduction of obligations	(11)

Total actuarial (gain) / loss after liquidation / reduction of obligations \$ 894

**NET ACTUARIAL (GAIN)/LOSS**

1.- Total actuarial (gain) / loss	905
2.- Defined benefit obligation	3,190
3.- Plan assets	2,282
4.- Higher between (2) and (3)	3,190
5.- 10% of (4)	\$ 319
6.- Actuarial (gain) / loss in excess of (5)	586
7.- Amortization period	12.00
8.- Net actuarial (gain) / loss	<u>\$ 49</u>

**NACIONAL FINANCIERA, S.N.C.  
 OTHER BENEFITS AT RETIREMENT  
 NET COST OF THE PERIOD FOR 2008**

1.- Current labor service cost		
A. Amount at beginning of year	\$	28
B. Interest of the year		2
C. Total current labor service cost		31
Labor cost of percentage present service over the annualized payroll		7.97%
2.- Financial cost		
A. DBO at beginning of year		2,894
B. Expected payments		151
C. Average DBO		2,819
D. Financial cost		245
Percentage financial cost over annualized payroll		63.19%
3.- Expected return on plan assets		
A. Balance at beginning of year		2,220
B. Expected payments		151
C. Recommended annual contribution		111
D. Average reserve		2,200
E. Return rate of the reserve		8.68%
F. Expected returns		(191)
Expected percentage return over annualized payroll		49.31%
4.- Amortization of the period		
- Beginning transition liability / (asset)	-	
- Amendments of plan	-	
- Change of methodology	-	
B. Net actuarial (gain) / loss		26
C. Total amortization of the period		26
Unpaid percentage cost over annualized payroll		6.70%
5.- Effect of early liquidation / reduction of obligations		25
6.- Annual net cost	<u>\$</u>	<u>135</u>
Early annual percentage cost over annualized payroll		34.93%

**OTHER BENEFITS AT RETIREMENT  
 CONTRIBUTION TO PENSION FUND FOR 2008**

Recommended annual contribution	\$	111
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## Other Benefits at Retirement (PEA and Loans to retirees)

### CALCULATION HYPOTHESIS

- a) Date of valuation: December 31, 2006, 2007 and 2008.

### BIOMETRIC BASES

- b) Mortality rates for active and retired persons: EMSSA Mortality Table non-disabled 1997.
- c) Turnover Rates According to Experience: Bufete Matematico Actuarial, S.C. (1993).
- d) Disability Rates: According to Experience: IMSS-97

### ECONOMIC BASES

- e) Discount rate: 8.68% annual compound
- f) Rate of salary increase: 4.52% annual compound.
- g) Udibonds rate at 30 years 4.26%

### BASES OF CALCULATION

The regulations of valued benefits is set forth in the General Labor Conditions of Nacional Financiera, S.N.C. (Review 2006) which, in Transition Article Five paragraph a), sets forth verbatim:

**FIVE.** Persons who have obtained a pension for disablement, disability or retirement at a date prior to this review and those workers who have joined the Institution at a date prior to the effectiveness of this review to whom the Defined Retirement Benefit Plan applies will continue to enjoy the right to receive the following additional benefits from the Institution at the time when they retire:

- a) Short-term loans, medium-term loans, and Special Loan for Savings, which will be paid with a charge to administration and promotion expenses with an 18% net guaranteed return of the maximum capacity to invest that will be calculated on 41.66% of the net monthly pension multiplied by 72 months, as well as the available capacity that will be on 50% of the net pension, less the month deductions from the short and medium-term loans with capital and interest, multiplied by 72 months, with a 41.66% cap or ceiling of the monthly net pension. The special loan for savings will accrue a 1% rate annual interest on its amount, which will be withheld by the Institution.

### FINANCING SYSTEM

In accordance with Financial Reporting Standard D-3 "Employee Benefits" (FRS D-3), the Institution followed the Projected Unit Credit System.

This actuarial system considers the benefits accrued at the date of valuation, as well as benefits generated during the year, and it consists of a normal cost and the actuarial obligations generated by the plan.

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

Actuarial obligations are the present value of all benefits accrued at the date of valuation.

**NACIONAL FINANCIERA, S.N.C.**  
**NET COST OF THE PERIOD**  
**OTHER BENEFITS AT RETIREMENT (PEA and Loans)**

		2008
1.- Current labor service cost		
A. Amount at beginning of year	\$	31
B. Interest of the year		2
C. Total labor cost		33
2.- Financial cost		
A. DBO at beginning of year		2,065
B. Expected payments		138
C. Average DBO		1,996
D. Financial cost		173
Percentage financial cost over annualized payroll		59.51%
3.- Return on plan assets		
A. Balance at beginning of year		-
B. Expected payments		-
C. Recommended annual contribution		-
D. Average reserve		
E. Return rate of the reserve		8.68%
F. Expected returns		-
4.- Amortization of the period		
A. Prior labor service cost		
- Transition liability / (asset)		-
- Amendments of plan		-
B. Net actuarial (gain) / loss		-
C. Total amortization of the period		-
5.- Actuarial (Gain) / Loss not recognized in income		-
6.- ANNUAL Net cost of the period		207
Early annual percentage cost over annualized payroll		81.45%

**NACIONAL FINANCIERA, S.N.C.**  
**RECONCILIATION OF THE BOOK PROVISION**  
**OTHER BENEFITS AT RETIREMENT (PEA and Loans)**

		2008
Balance at beginning of year	\$	2,012
Adjustment on inflation		-
Annual net cost in accordance with D-3		190
Adjustment on inflation		-
Contribution made to the trust		-
Adjustment on inflation		
Payments made		(106)
Adjustment on inflation		
Balance at end of year	\$	2,096

**NACIONAL FINANCIERA, S.N.C.**  
**AMORTIZATION OF THE (GAIN)/LOSS ON ASSUMPTION CHANGES**  
**OTHER BENEFITS AT RETIREMENT (PEA and Loans)**

	2008	
1.- (Gain)/Loss subject to amortization	\$	(31)
2.- Defined benefit obligation		2,065
3.- Plan assets	-	
4.- Higher between (2) and (3)		2,065
5.- 10% of (4)		207
6.- (Gain)/Loss on excess of (5)	-	
7.- Amortization period		8.00
8.- Annual amortization	-	

**21 Stockholders' Equity:**

a Capital Stock.-

Capital stock is represented by 12,540,000 series "A" certificates called Certificados de Aportación Patrimonial (CAP's), and 6,460,000 series "B" CAP's, with a par value of fifty Mexican pesos each.

Series "A" certificates represent 66% of NAFIN's capital stock, which may only be subscribed by the Federal Government. The remaining 34%, represented by series "B" certificates, is subject to the following conditions with respect to subscription:

- Foreign individuals or corporations are prohibited from owning directly or indirectly Series "B" certificates;
- Except for the Federal Government and Common Investment Associations, no individual or corporation may acquire, more than 5% of the paid-in capital stock through one or more transactions of any type, simultaneously or successively.
- As of December 31, 2008 and 2007, the nominal capital stock amounted \$950 and its restated value based on inflation factors is \$7,952.

b Contributions for future capital increases.-

As described in Note 20 above, to contribute to the comprehensive solution of the NAFIN's current pension system, the Federal Government (SHCP) made a capital contribution to Nacional Financiera, S.N.C. in the amount of \$2,500 on December 29, 2006. On the same date, Nacional Financiera contributed those same funds to the Institution's Pension Fund Trust.

In order to support NAFIN in its lending operations, the Federal Government made contributions in the amount of \$3,500 in fiscal 2008.

As of December 2008 and 2007, the balance of this account amounts to \$6,095 and \$2,595, respectively.

c Premiums on sale of shares.-

Corresponds to payments made by holders of series "B" CAP's. As of December 31, 2008 and 2007, the book value of the premiums paid was \$2,030 (nominal value of \$230)

d Capital reserves.-

The nominal value of these reserves as of December 31, 2008 and 2007, is \$314 and the book value is \$1,730.

e Loss from previous periods.-

As of December 31, 2008 and 2007, the composition of the balance of this account is as follows:

	2008	2007
Effect of the changes in accounting policies set forth by the NBSC in Circular 1343	\$ (2,860)	\$ (2,848)
Prior years' losses	(5,730)	(6,672)
Constitution of foreclosed and repossessed property reserve	(260)	(260)
Contributions pending of formalization	4,467	4,467
Pensions Reserve, PEA and loans to retirees	(4,310)	(4,487)
	\$ (8,693)	\$ (9,800)

f Result from valuation of instruments available for sale.-

The adjustments derived from valuations at market of available-for-sale securities are recorded in this line item. The gain or loss is recorded as realized in income up to the fiscal year in which the security is sold or reaches maturity.

As of December 31, 2008 and 2007, the result from valuation at market of available-for-sale securities is summarized as follows:

	2008	2007
Valuation of other obligations and other securities	\$ (7)	\$ -
Monetary Position	-	(9)
Total	\$ (7)	\$ (9)

g Effects of valuation of associated and affiliated companies.-

The surplus or deficit not derived from the operating results of associated or affiliated companies is recognized in this caption. In 2008 there was an increase in valuation of \$54.

h Result from holding nonmonetary assets.-

During the year 2008, the balance of this account was affected by the valuation of long-term equity investments in the amount of \$2.

i Legal provisions.-

On November 23, 2007, the SHCP issued new rules on the capitalization requirements of Multiple Banking Institutions and National Credit Institutions (Sociedades Nacionales de Crédito), Development Banking Institutions, which were enforced as from January 1, 2008. These new capitalization rules establish requirements with specific levels of net capital, as a percentage of the risk assets, with respect to both market risks and credit risks. In this respect, as of December 31, 2008, the Institution level was 12.47%, already confirmed by BANXICO.

Cash dividends received by corporations resident in the Mexican territory, will not be subject to any income tax withholding, unless such dividends are derived from sources other than the Net Taxable Income Account (Cuenta de Utilidad Fiscal Neta - CUFIN).

j Net income.-

For the years ended December 31, 2008 and 2007, income amounted to \$108 and \$1,155, respectively.

The pertinent captions are summarized below: Financial margin, intermediation result, other income, and other expenses at fiscal 2008 year-end.

Financial margin:

Item	Total	Mexican pesos	Foreign Currency	UDI'S
Commercial credits	\$ 654	\$ 579	\$ 75	\$ -
Housing lending	9	9	-	-
Credits to government entities	1,345	84	1,261	-
Second floor loans	2,742	2,661	81	-
Interest earned on current loan portfolio	4,750	3,333	1,417	-
Nonperforming commercial loans	3	3	-	-
Second floor loans	1	1	-	-
Housing lending	1	1	-	-
Interest collected on nonperforming loan portfolio	5	5	-	-
Trading securities	8,776	8,774	2	-
Available-for-sale securities	28	28	-	-
Held-to-maturity securities	657	599	58	-
Interest and yields earned on investments in securities	9,461	9,401	60	-
Repurchase transactions	813	813	-	-
Interest and yields earned in repurchase agreement transactions and securities lending	813	813	-	-
Banks	2,048	1,791	257	-
Interest on liquid assets	2,048	1,791	257	-

Item	Total	Mexican pesos	Foreign Currency	UDI'S
Commercial credits	43	11	32	-
Commissions earned on lending transactions (adjustment to yield)	43	11	32	-
Repurchase transactions	3,021	3,021	-	-
Securities loans transactions	1	1	-	-
Earned premiums	3,022	3,022	-	-
Exchange profit on valuation	695	-	695	-
Interest earned of subsidiaries	57	57	-	-
<b>Interest income</b>	<b>20,894</b>	<b>18,433</b>	<b>2,461</b>	<b>-</b>
Money desk	(6,005)	(5,994)	(11)	-
Interest on term deposit	(6,005)	(5,994)	(11)	-
Interest on bank Bonds	(404)	(194)	(210)	-
Interest expense on interbank loans and from other agencies	(1,562)	(213)	(1,349)	-
Repurchase transactions	(3,175)	(3,175)	-	-
Interest and yields in repurchase transactions and securities lending	(3,175)	(3,175)	-	-
Repurchase transactions	(7,065)	(7,065)	-	-
Premiums expense	(7,065)	(7,065)	-	-
Interest expenses of subsidiaries	(158)	(158)	-	-
<b>Interest expenses</b>	<b>(18,369)</b>	<b>(6,799)</b>	<b>(1,570)</b>	<b>-</b>
<b>Financial margin</b>	<b>\$ 2,525</b>	<b>\$ 1,634</b>	<b>\$ 891</b>	<b>\$ -</b>

Item	Total	Mexican pesos	Foreign Currency
<b>Intermediation result</b>			
Trading securities	\$ 64	\$ 62	\$ 2
Securities receivable on repurchase transactions	(279)	(279)	-
Securities deliverable on repurchase transactions	(4)	(4)	-
Derivative financial instruments (Trading purposes)	(188)	(55)	(133)
Hedging financial instruments	3	3	-
Result on valuation at fair value and decrease on securities valued at cost	<u>(404)</u>	<u>(273)</u>	<u>(131)</u>
Trading securities	(367)	(364)	(3)
Derivative financial instruments (trading purposes)	(328)	(763)	435
Result on trading of securities and derivative financial Instruments	<u>(695)</u>	<u>(1,127)</u>	<u>432</u>
Result on valuation of metals	1	-	1
Intermediation result of subsidiaries	185	185	1
<b>Intermediation result</b>	<b><u>\$ (913)</u></b>	<b><u>\$ (1,215)</u></b>	<b><u>\$ 302</u></b>
<b>Other income and other expenses.-</b>			
Taxes	\$ 39	\$ 39	\$ -
Others	70	70	-
Recoveries	<u>109</u>	<u>109</u>	<u>-</u>
Gain on sale of property and equipment	2	2	-
Gain on sale of foreclosed property or received in payment in kind	44	44	-
Income on loans to personnel	42	42	-
Others	228	226	2
Reversal of excess of preventive estimates for credit risks	<u>361</u>	<u>280</u>	<u>81</u>
Other income and beneficies	<u>677</u>	<u>594</u>	<u>83</u>
Other income of subsidiaries	120	120	-
<b>Other income</b>	<b><u>\$ 906</u></b>	<b><u>\$ 823</u></b>	<b><u>\$ 83</u></b>
Write-down of other assets	(21)	(21)	-
Impairment	<u>(21)</u>	<u>(21)</u>	<u>-</u>
Disasters	(1)	(1)	-
Others	<u>(1)</u>	<u>(1)</u>	<u>-</u>
Losses	(2)	(2)	-
Others	(27)	(27)	-
Others losses of subsidiaries	<u>(28)</u>	<u>(28)</u>	<u>-</u>
Others losses	<u>(55)</u>	<u>(55)</u>	<u>-</u>
<b>Other losses</b>	<b><u>\$ (79)</u></b>	<b><u>\$ (79)</u></b>	<b><u>\$ -</u></b>

## **22 Commitments and contingencies:**

### **Guarantees and Endorsements.-**

As of December 31, 2008 and 2007, NAFIN has granted guarantees in the amount of \$2,494 and \$31, respectively, which represent a contingent risk in the case the endorsed debtors default on their indebtedness to the respective credit institution. In periods 2008 and 2007 there are no records of losses in NAFIN's statement of income; however, whenever a party endorsed has defaulted on an indebtedness, NAFIN has granted credits to cover the debt. In 2008 there was not any granted credit.

### **Contingencies.-**

On October 27, 2006, the Tax Administration Service (SAT), through official letter 330-SAT-VIII-22335 issued by the Central Inspection Administration of the Financial Sector and Large Income Taxpayers, notified the Institution of a tax liability amounting to \$36 applicable to fiscal 2002, which includes the omission of income tax amounting to \$18, plus restatement, fines, and surcharges at that date. Nacional Financiera accepted the omission of Income Tax amounting to \$18. However, the Institution does not agree with the procedure followed by the Authority to determine the tax liability, since that authority did not credit the estimated payments on Income Tax made by the trustee, as well as payments on Asset Tax made by NAFIN, which the Institution had in its favor in fiscal 2002; this is why on December 23, 2005, an amended tax return was filed for fiscal 2002 that included the credits described above. Furthermore, on January 17, 2007, a motion for reconsideration was filed with the Juridical Central Administration of Large Income Taxpayers of the SAT to leave the contested official letter null and void.

On December 14, 2007, the Institution filed a petition to adhere to the remission program. On April 7, 2008, the SAT notified the Institution of the favorable ruling and released NAFIN from the debt in the amount of \$32.

Moreover, on November 13, 2008, the SAT, through the Central Administration of Inspection of the Financial Sector, pursuant to official communication No. 900 06 03-2008-18633, notified NAFIN of a tax liability in the amount of \$15 applicable to fiscal 2004, which includes Value Added Tax omitted in the amount of \$7, plus fines and surcharges amounting to \$8 at that date. On January 29, 2009, the Institution filed a motion for reconsideration with the Central Administration of Litigations of Large-Income Taxpayers, to have the official communication referred to above rendered null and void. The Institution is waiting for the authorities to issue their resolution.

### **Other contingent liabilities.-**

As of December 31, 2008 and 2007, the balance of this caption is \$23,155 and \$16,076, respectively.

At the end of the year 2008, under its guarantee scheme, the Institution recognized NAFIN's Credit Risk Trust (Fideicomiso NAFIN Riesgo Crediticio) with a balance of \$20,234, which represents the amount of credits guaranteed to banking intermediaries. NAFIN has a counter-guarantee given by the final creditors to the first tier financing bank, for \$2,747.

As of December 31, 2008 and 2007, certain claims have been filed against the Institution for several types of lawsuits, the Institution considers that there would not be a material adverse effect in its financial statements.

### 23 Property held in trust or under mandate:

As of December 31, 2008 and 2007, the balances of transactions where NAFIN acts as Trustee are comprised as follows:

	2008	2007
Investment trust	\$ 17,927	\$ 19,320
Management trust	593,799	456,947
Guaranty	26,205	24,991
Trust subtotal	637,931	501,258
Mandates	31,019	23,891
Federal government agent	75,356	46,543
Total	\$ 744,306	\$ 571,692

During 2008 and 2007, NAFIN obtained income of \$222 and \$158, respectively, from its fiduciary activities.

a) As of December 31, 2008 and 2007, the trust accounts include a balance of \$888 and \$1,155, respectively, which correspond to the equity of the Recuperation Portfolio Trust (Fideicomiso de Recuperación de Cartera-FIDERCA), who administrates the accounts with recuperation problems originally belonged to NAFIN and was transferred to the Federal Government during 1996. At present, the Institution owns those trust rights.

b) The Institution created the trust to strengthen its capital in performance of the provisions set forth in article 55 bis of the Credit Institutions Law, and in conformity with the general rules for Development Banking Institutions, for the trading thereof, published in the Official Daily Gazette on October 24, 2002.

### 24 Other memoranda accounts:

As of December 31, 2008 and 2007, the balances of other memoranda accounts are summarized as follows:

	2008	2007
Opening of credits	\$ 28,479	\$ 22,202
Renewed and restructured concepts	728	85
Bad debts	2,182	1,770
Mortgages taken from overdue credits	292	163
Bad debts applied against the allowance	416	371
Securities and coupons to incinerate	3	3
Control of loan portfolio due dates	89,868	73,478
Control of overdues liabilities	107,266	98,408
VAT recorded by status	81	81
Portfolio in process of recovery	170	151
Classification of credit portfolio by risk rate	116,259	90,259

	<u>2008</u>	<u>2007</u>
Issue of provisional certificates	950	950
Loans obtained not yet drawn down	639	789
Various unspecified concepts	87,134	128,140
Precautionary write-down of foreclosed and repossessed property	10	10
Control of amounts contracted in repurchase transactions and derivative instruments	33,583	186,528
Valuation of securities held to maturity	2	-
Other memoranda accounts of subsidiaries	1,728	143
	<u>\$ 469,790</u>	<u>\$ 603,531</u>

The Loans obtained not yet drawn down account, represents the credit lines granted to the Institution not exercised at fiscal year-end, as summarized below:

	<u>2008</u>	<u>2007</u>
Banco de México	\$ 462	\$ 431
Interamerican Development Bank	-	215
International Agricultural Development Fund	177	143
	<u>\$ 639</u>	<u>\$ 789</u>

## **25 Income tax (IT), IETU and Employees profit sharing (EPS):**

### a Income tax.-

The tax basis for IT differs from accounting income due to: 1) permanent differences in the treatment of items such as the result from the sale of shares and 2) temporary differences related to the period in which the accounting income and expenses are recognized and the period in which they are accrued and deducted for tax purposes.

The new Income Tax Law went into effect as of January 1, 2002, which set forth that the corporate rate for legal entities would be decreased gradually. In conformity with Article two, subsection I paragraph a) of the transition provisions of the Income Tax Law referred to above, the rate will be 28% for 2008.

As of December 31, 2008, the Institution accumulated tax losses amounting to \$1,413.

### b Corporate Flat Tax (IETU).-

On September 14, 2007, Congress enacted the Corporate Flat Tax Law, which was published in the Official Daily Gazette on October 1, 2007. Effective January 1, 2008, this new Law supersedes the Asset Tax Law.

The IETU of the period will be calculated by applying a 17.5% rate (By operation of a transition provision, the IETU rate will be 16.5% for 2008, 17% for 2009, and 17.5% effective 2010) to income determined based on cash flows, which results by reducing authorized deductions from the total income received for activities to which it

applies. The so-called IETU credits are reduced from the above income, as provided for in currently enacted legislation.

IETU credits are amounts that can be reduced from the IETU itself, which include, among other things, IETU loss carryforwards, credits on salaries, social security contributions, and deductions of some assets such as inventories and fixed assets, during the transition period as a result of the effectiveness of the IETU.

The IETU is a tax that co-exists with Income Tax, therefore, it will be subject to the following:

- If IETU exceeds Income Tax of the same period, the Company will pay IETU. Consequently, NAFIN will credit the income tax paid to the resulting IETU of the same year.
- If the IETU is less than Income Tax of the same period, the company will not pay IETU therein.
- If the IETU base is negative due to deductions that exceed taxable income, there will be no IETU due. In addition, the amount of that base multiplied by the IETU rate results in an IETU credit that can be offset against Income Tax of the same period or, if applicable, against the IETU of subsequent periods.

c Asset Tax.-

The repeal of the Asset Tax, effective December 31, 2007, was published in the Official Daily Gazette on October 1, 2008. Consequently, NAFIN was not subject to Asset Tax for fiscal 2008.

d Employee Profit Sharing.-

Employee Profit Sharing is determined in conformity with the provisions of the Income Tax Law. For fiscal 2008 and 2007, Employee Profit Sharing amounted to \$83 and \$67.

e Tax loss carryforwards for Income Tax purposes.-

For income tax purposes, tax loss carryforwards can be offset in the following ten fiscal years against taxable income related to income tax. Those tax loss carryforwards may be restated by using the National Consumer Price Index, as of the first month of the second half of the fiscal year in which the loss was incurred and up to the last month of the first half of the fiscal year in which the tax loss carryforward is realized.

As of December 31, 2008, tax loss carryforwards restated at that date are summarized as shown below:

<u>Year incurred</u>	<u>Restated amount</u>	<u>Year of expiration</u>
2006	\$ 1,413	2016
	<u>\$ 1,413</u>	

## 26 Information by segments:

For the periods 2008 and 2007, the information on NAFIN's main operating segments is as follows:

Operating segments	2008		2007	
	Amount	%	Amount	%
Financial broker				
-Assets	\$ 32,885	20	\$ 29,257	19
-Liabilities	35,432	23	31,712	22
-Income	1,232	5	1,380	6
-Expenses	1,296	6	1,458	6
First tier banking				
-Assets	10,182	6	9,414	6
-Income	971	4	2,874	12
-Expenses	473	2	510	2
Second tier banking				
-Assets	45,712	27	34,740	23
-Income	2,993	13	2,434	10
-Expenses	1,157	5	232	1
Investment banking				
-Assets	73,007	44	72,477	48
-Liabilities	112,955	74	105,167	75
-Income	15,993	69	15,863	67
-Expenses	17,019	74	18,033	80
Other segments				
-Assets	4,722	3	4,549	4
-Liabilities	5,162	3	4,070	3
-Income	1,884	9	1,115	5
-Expenses	3,020	13	2,278	11
Total Institution				
-Assets	166,508	100	150,437	100
-Liabilities	153,549	100	140,949	100
-Income	23,073	100	23,666	100
-Expenses	22,965	100	22,511	100
-Net income	\$ 108		\$ 1,155	

The Institution is carrying out several processes to sufficiently identify the assignment of liabilities and expenses by segments.

The operating segment where NAFIN participates as Financial Broker of the Federal Government represents 20% of total assets and 23% of liabilities, 5% of the income and 6% of expenses.

First tier bank operations represent 6% of assets and 4% of the income obtained by the Institution, and 2% of the expenses.

Second tier bank segment represents 27% of assets and 13% of the income and 5% the expenses of NAFIN and corresponds to the channeling of funds through BFI and NBFÍ destined mainly to micro, small and medium companies.

The investment bank segment representing 44% of total assets and 74% of the liabilities, 69% of the income and 74% of the expenses of NAFIN, corresponds to the businesses performed in domestic and international money and capital markets with NAFIN's own funds and funds from corporate treasuries, FDMV investments and equity investments in the capital of public and private entities.

## 27 Result on monetary position:

In accordance with the provisions of FRS B-10 "Impact of inflation" (Note 4 a), NAFIN did not recognize in 2008 the impact of inflation since it operated in a non-inflationary economic environment. Accordingly, the gain or loss on monetary position was not recorded in the financial statements of fiscal 2008.

## 28 Comprehensive net operating income (losses):

As of December 31, 2008 and 2007 the determinations of NAFIN's comprehensive net results, is as follows

	2008	2007
Net income (loss) of the year	\$ 108	\$ 1,155
Effect of items recognized in stockholders' equity that have not affected income (loss):		
- Result on valuation of available – for – sale securities	(7)	(21)
- Result on translation of foreign currency transactions	(95)	16
- Effects of valuation of associated and affiliated companies	(160)	(517)
Result from holding nonmonetary assets on valuation of long-term equity investments	2	248
- Result from valuation of long-term investments	(2)	-
- Result from valuation of hedging instruments of cash flows	4	-
	<u>(258)</u>	<u>(274)</u>
Comprehensive net result	<u>\$ (150)</u>	<u>\$ 881</u>

## 29 Risk management and follow up:

Domestic and international risk management regulations have undergone an unprecedented evolution in these last years, by incorporating a preventive approach in the financial processes carried out by lending institutions, as well as the obligation to issue internal guidelines that provide for establishing controls to contemplate any economic loss due to the materialization of risks, whether discretionary, nondiscretionary or even those that are unquantifiable.

Nacional Financiera has concerned itself with implementing international standards systematically and comprehensively, along with implementing the prudential provisions relating to risk management, credit management, and internal control management applicable to lending institutions, as well as the provisions issued by regulatory agencies in Mexico in money laundering prevention matters.

## **DISCRETIONARY QUANTIFIABLE RISKS:**

### **Market Risk.-**

Nacional Financiera uses the Value at Risk (VaR) methodology to calculate the market risk of its securities portfolios classified as Trading, Available-for-Sale, and Held-to-Maturity, including hedging positions. The methodology that is being applied generally is historical simulation.

The most significant general principles are presented below:

- The confidence interval being applied in the calculation of VaR is 97.5%(considering the extreme left of the distribution of losses and gains).
- The temporary base period considered is 1 day.
- One year of historical information of risk factors is included to generate scenarios.
- The following risk factors are considered: domestic and foreign interest rates, surcharges (spreads), exchange rates, indexes and prices of shares.

In addition to VaR information, sensitivity measures are calculated and stress tests are performed.

Effective July 2005, Back Testing is performed monthly to statistically validate that the market risk measurement model provides reliable results within the parameters selected by Nacional Financiera.

The limits on the values followed up on to date on a daily basis are:

- Value at Risk: Determined based on capital assigned to market risks.
- Notional Values: These refer to maximum nominal values that can be held in position.
- Maximum loss measurement: This establishes a maximum loss limit against unfavorable trends on markets.

The average market Value at Risk of the period (VaR) amounting to \$44.26 represents 0.39% of net capital as of December 2008.

### **Asset and liability management.-**

Asset and liability management refers to managing risks that affect the bank's balance sheet. This consists of management techniques and tools necessary to identify, measure, monitor, control, and manage financial risks (liquidity and interest rate) that the institution's balance sheet is exposed to. Moreover, it is intended to maximize its yield adjusted by market risks and, therefore, enhance the use of the bank's capital.

### **Liquidity Risk.-**

Liquidity risk that affects a banking institution is generally classified in two categories:

- **Market liquidity risk:** It is the possible economic loss due to the difficulty of selling or hedging assets without a significant decrease in its price. This type of risk is incurred as a result of drastic changes in interest rates when large positions are adopted in some instrument(s) or investments are made in markets or instruments for which there is no broad supply and demand on the market.
- **Funding liquidity risk:** This represents the difficulty of an institution in obtaining the necessary funds to pay its obligations, through the income generated by its assets or by acquiring new liabilities. This type of crisis is generally caused by a drastic, sudden impairment in the quality of assets that result in extreme difficulty to convert them in to liquid assets.

The Institution, in performance of the provisions of Comprehensive Risk Management, developed a “Liquidity Plan”, which establishes various measures to hedge the risks discussed above.

### Credit Risk.-

Credit risk is defined as the likelihood that a counterparty or borrower fails to perform its credit obligations in due time and proper form. It further refers to the loss of value of an investment determined by the change in creditworthiness of any counterparty or borrower, without necessarily resulting in an omitted payment.

### Expected Loss.-

The expected loss on the loan portfolio is obtained by using the portfolio rating methodology set forth in Chapter V of the Sole Circular of the NBSC, in connection with the Rating of the Loan Portfolio.

Pursuant to the reserve obtained under this methodology, the following assumptions are also established:

- The portfolio is not considered to be nonperforming due to nonperformance that had materialized therein.
- The former employee portfolio is excluded to measure the effect of expected losses directly in the exposed portfolio of the private sector.
- The credit to Fiso 1148 is not considered as a contingent (nonperforming) portfolio, since this Fiso is responsible for managing its credit risk.
- No additional reserves are included.

Pursuant to the foregoing, as of December 31, 2008, the expected credit portfolio loss amounts to \$1,576, equivalent to 2.76% of the rated portfolio and 1.75% of the total portfolio.

	Portfolio Balance as of 12/31/2008	Expected Loss	% Expected Loss
<b>Unrated</b>	\$ 33,161	\$ -	-
Risk A	47,865	372	0.78%
Risk B	8,309	677	8.15%
Risk C	969	522	53.88%
Risk D	1	1	100.00%
Risk E	4	4	100.00%
<b>RATED</b>	<u>57,148</u>	<u>1,576</u>	<u>2.76%</u>
<b>TOTAL</b>	<u>\$ 90,309</u>	<u>\$ 1,576</u>	<u>1.75%</u>

## Unexpected Losses.

The unexpected loss represents the impact that could be suffered by the bank's capital derived from unusual loan portfolio losses; the level of coverage of this loss by the capital and reserves of an Institution is a solvency indicator adjusted by the risk thereof.

Effective December 2005, the Institution's estimate of unexpected loan portfolio loss operations is performed at Nacional Financiera, by using analytical and simulation Monte Carlo methodologies. As from that date, the stability of these measures and their behavior in the face of various changes in the environment has been observed to determine which of them should be used as the risk measure of Institution's loan portfolio.

In November 2006, the Comprehensive Risk Management Committee concluded that of the methodologies proposed for the estimate of the unexpected loan portfolio loss, the methodology with an economic approach is the best methodology that best conforms to the basic internal method of Basel II, based on:

- The similarity of concepts existing between the proposed economic methodology and capital requirement for the loan risk estimated starting with the basic approach of Basel II. This approach permits institutions to estimate the necessary capital to support their risk with internal methods.
- The high levels of correlation and similarity of the average capital requirement observed over one year of internal application of proposed unexpected loan portfolio loss methodologies.

Moreover, the Institution considered that the unexpected loan portfolio loss should continue to be estimated monthly using the valuation and Monte Carlo methodologies, so as to have information in view of future changes of banking regulations in which portfolio market valuation is requested. These methodologies are applied over a one-year timeframe with a 95% reliability level.

At December 2008 year-end, the estimate of the unexpected loss under the economic approach amounts to \$4,623. By the same token, the VaR of the credit amounts to \$5,584 and represents 9.70% of the exposed portfolio.

## Counterparty risk and diversification.-

The Institution has comprehensive counterparty risk control, by applying the credit exposure limit established, which consider transactions throughout all the balance sheet, that is, both in the financial markets and the credit portfolio. This methodology is consistent with the General Rules for Risk Diversification in Carrying Out Lending and Borrowing Transactions Applicable to Lending Institutions.

As of December 31, 2008 year-end:

- No loan risk is concentrated in any Group above maximum financing limits.
- The following number of loans exceeds 10% of the basic capital individually:

Number of Loans	Total amount	Percentage of Capital
20	\$ 43,078	451%

Financing with the three highest debtors or, if applicable, groups of persons that represent common risk amounts to \$13,583.

### Capitalization Ratio.-

At December 2008 year-end, the capitalization ratio was set at 12.40%, (preliminary, unconfirmed by BANXICO), which is incorporated starting with a net capital amounting to \$11,439 and assets adjusted for total risks amounting to \$92,289.

#### a Basic and Complementary Capital

At December 2008 year-end, net capital of the Institution amounts to \$11,525, consisting of \$11,128 of basic capital and \$397 of complementary capital.

STOCKHOLDERS' EQUITY AS OF OCTOBER 31, 2008 (Informative data)	12,282
INVESTMENTS IN STOCK OF FINANCIAL ENTITIES AND HOLDING ENTITIES THERE OF	<u>694</u>
- Companies and mutual funds, part relative to fixed capital and holding entities there of	62
- Other domestic financial entities	15
- Direct investments in foreign financial entities	616
INVESTMENTS IN STOCK OF COMPANIES	<u>460</u>
RISK CAPITAL	460
INVESTMENTS ENTITIES OF BOTH, CAPITALS AND OF LIMITED ACTIVITY WITH PARTICIPATION HIGHER TO 15% OF THE INVESTMENT ENTITY	
INTANGIBLES AS WELL AS ITEMS THAT IMPLY THE DEFERRAL OF THE APPLICATION OF EXPENSES OR COSTS IN THE CAPITAL OF THE INSTITUTION.	<u>0</u>
- Intangibles of any type	0
- Items that imply the deferral of the application of expenses or costs in the capital	0
TOTAL BASIC CAPITAL	<u>11,128</u>
PREVENTIVE RESERVES COMPUTABLE AS COMPLEMENTARY CAPITAL	<u>397</u>
COMPLEMENTARY CAPITAL	<u>397</u>
NET CAPITAL	11,525

#### b Assets Adjusted for Market Risk

Assets adjusted for market risks amount to \$37,193 and are equivalent to a capital requirement amounting to \$2,975.

Item	Amount of Equivalent Positions	Capital Requirement
Transactions in local currency at a nominal rate	9,598	768
Transactions in local currency at an over rate	5,602	448
Transactions in real rate	16,724	1,338
Foreign currency transaction at a nominal rate	417	33
Positions in UDIs or with a return based on the NCPI	283	23
Foreign exchange positions or with yields indexed to the exchange rate	74	6
Positions in shares or with a return indexed to the price of a share of group of shares	4,495	360
<b>Total</b>	<b>37,193</b>	<b>2,975</b>

**c Assets Adjusted for Credit Risk**

Assets adjusted for credit risks amount to \$54,181 and are equivalent to a capital requirement amounting to \$4,335.

Item	Assets Weighted by Risk	Capital Requirement
Group I	-	-
Group II	-	-
Group III	8,227	659
Group IV	1,868	149
Group V	-	-
Group VI	-	-
Group VII	12,833	1,027
Group VIII	80	6
Group IX	524	42
<b>Credit Operations</b>	<b>23,532</b>	<b>1,883</b>
Operations with derivatives and repurchases	210	17
Issuers of debt in position	1,034	83
Granted endorsements and lines of credit and stock exchange transactions	23,675	1,894
Long-term investments and others assets	5,730	458
<b>Total</b>	<b>54,181</b>	<b>4,335</b>

**NONDISCRETIONARY QUANTIFIABLE RISKS:**

Operating Risk Management

a) Qualitative Analysis

The relevant Quality Management System (Q.M.S.) processes are rated by applying Self-Evaluation methodologies (Scorecards), pursuant to two indicators:

Nature. It is the degree of importance of the process analyzed in connection with the Institution's other processes and require a higher or lower availability of funds and infrastructure to guarantee the business as a going concern. The levels of tolerance are distributed as follows:

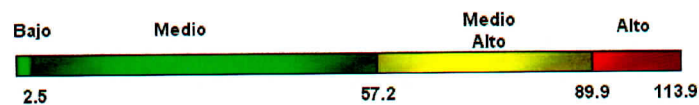


The result obtained from the Institution's twenty most relevant processes at 2008 December month-end is as follows:

DATE OF ANALYSIS	ID PROCESS	NAME OF PROCESS	INDICATOR OF NATURE	LEVEL OF TOLERANCE
31/12/2008	11	Flow of Funds	65.82	High Risk
31/12/2008	43	Money Market	63.37	Medium High Risk
31/12/2008	15	General Cash	59.84	Medium High Risk
31/12/2008	20	Treasury	57.95	Medium High Risk
31/12/2008	3	Expenses transaction	54.93	Medium High Risk
31/12/2008	29	Safeguarding of securities	53.33	Medium High Risk
31/12/2008	8	Trustee	52.51	Medium High Risk
31/12/2008	26	Foreign exchange	52.10	Medium High Risk
31/12/2008	9	Custody and Management of Securities	50.50	Medium High Risk
31/12/2008	1	Capitals	49.60	Medium High Risk
31/12/2008	65	2nd Floor IFNBs	49.46	Medium High Risk
31/12/2008	17	M.D.C.	46.63	Medium High Risk
31/12/2008	59	1st Floor	45.14	Medium High Risk
31/12/2008	37	1st floor and emerg.	44.19	Medium High Risk
31/12/2008	58	Guarantees	44.13	Medium High Risk
31/12/2008	31	Financial A.	43.54	Medium High Risk
31/12/2008	54	IFBs	42.84	Medium High Risk
31/12/2008	7	Alternate Channels	39.58	Medium High Risk
31/12/2008	60	Former Employees	38.52	Medium High Risk
31/12/2008	30	Accounting – Markets	25.55	Medium Risk

Note .- The higher escore, the more critical the nature of the process.

Efficiency. It is the measure of adequate execution of a process that allows for developing plans to foresee undesired events that permit development of sensitivity toward the perception of operating risk through a measure. The levels of tolerance are distributed as follows:



In connection with the same sample of twenty relevant processes in terms of efficiency, their behavior was as follows:

DATE OF ANALYSIS	ID PROCESS	NAME OF PROCESS	INDICATOR OF EFFICIENCY	LEVEL OF TOLERANCE
31/12/2008	30	Accounting – Markets	37.90	Medium Risk
31/12/2008	3	Expenses transaction	27.00	Medium Risk
31/12/2008	11	Flow of Funds	26.49	Medium Risk
31/12/2008	29	Safeguarding of securities	25.69	Medium Risk
31/12/2008	37	1st Floor and Emerging	21.02	Médium Risk
31/12/2008	65	2nd Floor IFNBs	20.99	Médium Risk
31/12/2008	58	Guarantees	20.78	Medium Risk
31/12/2008	7	Alternate Channels	20.64	Médium Risk
31/12/2008	17	M.D.C.	20.55	Médium Risk
31/12/2008	8	Trustee	20.16	Médium Risk
31/12/2008	43	Money Market	18.91	Médium Risk
31/12/2008	31	Financial A.	18.55	Médium Risk
31/12/2008	20	Treasury	18.31	Médium Risk
31/12/2008	1	Capitals	16.26	Médium Risk
31/12/2008	26	Foreign exchange	15.90	Médium Risk
31/12/2008	9	Treasury	15.70	Médium Risk
31/12/2008	59	1st Floor	15.56	Médium Risk
31/12/2008	15	General Cash	15.49	Médium Risk
31/12/2008	60	Former Employees	10.11	Médium Risk
31/12/2008	54	IFBs	4.07	Médium Risk

Note .- The lower the score, the lower the operating risk.

#### b) Quantitative Analysis

During the fourth quarter of 2008, 26 loss events for an economic impact of \$7.81 have been recorded in the books.

Month	Currency	Frequency	Likely economic impact
31/12/2008	MXP	17	1.44
01/01/2009	MXP	7	0.04
02/01/2009	MXP	2	6.33
		26	7.81

These amounts complement the total of 2008, which would be shown as follows:

Year	Currency	Frequency	Likely economic impact
2008	MXP	66	8.79

### **Technological Risk management-**

In order to conduct Technological Risk Management adequately, the Informatics Department carried out the following actions at this year-end.

In order to evaluate the vulnerability of hardware, software, systems, security applications, and recovery of information and networks, the Institution has the following:

- ✓ Monthly vulnerability reports that consist of analyzing the logbooks obtained from the parametric security platform to evaluate the level of perimeter security level and take preventive measures.
- ✓ Information Technology architecture supported by the evaluation of weaknesses and improvements in availability aspects of services based on the hardware platform, software, applications supported in redundancy strategies, as well as maintain the backup platform and recover that allows for backing up the total central systems.
- ✓ Backup capacity in magnetic means was increased.
- ✓ Server capacity was evaluated periodically and it grew with respect to the PC, memory, disk, and backup capacity for customer oriented systems.
- ✓ Total redundancy scheme of connection, Internet, local level, and WAN.
- ✓ Perimeter security platform modules.
- ✓ The backup and processes operation is maintained and a high percentage is carried out based on automated systems, based on a software scheduler.

In order to maintain distribution channels for banking operations with customers carried out through Internet, telephone banking, and branches oriented toward establishing measurements and controls that assure confidentiality in generation, storage, transmission, and receipt that the Institution has.

- ✓ Authentication methods through TOKENS for TRUSTEE and CUSTODY systems.
- ✓ An authentication system with generation, confidentiality, and access code storage policies for the CHAIN, TRUSTEE, and CUSTODY systems, complemented by a delivery and controlled activation procedure.
- ✓ A security zone scheme that now contemplates the separation of the production zone and development.
- ✓ Operating policies and procedures, and access to systems authorization, databases, and applications.
- ✓ Access control to systems schemes through authentication of users.

- ✓ Increase in the capacity of backups on a SAN platform whereby backups are generated on-line. Tape units were added to the Robots that allow for making magnetic medium backups. Those backups are maintained in internal and external vaults that allow to recover databases.
- ✓ A computer contingency center with the platform and critical systems operating and updated, which was tested technically and operatively this year and is kept in operation. Moreover, there is a recovery process and strategy.
- ✓ The PKI (public keys) platform for operating with new versions of software in customer PCs.
- ✓ Electronic signatures, screens, control questions and, if applicable, recording of calls are used in chain systems.

During the fourth quarter of 2008, monthly behavior of technological risk indicators was as follows:

Year-Month	Id R.T Indicator.	Description of R.T. Indicator	Unit of Measurement	Goal	Result of Goal
Dic/2008	1	Level of security of access to the Nafinsa network	No intrusions into critical mission equipment	100.00%	100.00%
Dic/2008	2	Detection and blocking of virus into Nafinsa network	No impacts on critical mission equipment	100.00%	100.00%
Dic/2008	3	Level of availability of critical services	Percentage of Availability	99.00%	99.89%
Dic/2008	5	Level of Availability of non-critical services	Percentage of Availability	97.00%	99.97%
Nov/2008	1	Level of security of access to the Nafinsa network	No intrusions into critical mission equipment	100.00%	100.00%
Nov/2008	2	Detection and blocking of virus into Nafinsa network	No impacts on critical mission equipment	100.00%	100.00%
Nov/2008	3	Level of availability of critical services	Percentage of Availability	99.00%	99.98%
Nov/2008	5	Level of Availability of non-critical services	Percentage of Availability	97.00%	99.95%
Oct/2008	1	Level of security of access to the Nafinsa network	No intrusions into critical mission equipment	100.00%	100.00%
Oct/2008	2	Detection and blocking of virus into Nafinsa network	No impacts on critical mission equipment	100.00%	100.00%
Oct/2008	3	Level of availability of critical services	Percentage of Availability	99.00%	99.88%
Oct/2008	4	Recovery of critical services under simulations of contingency disaster	Percentage	100.00%	100.00%
Oct/2008	5	Level of Availability of non-critical services	Percentage of Availability	97.00%	99.96%

It is observed that the indicators named “Availability level of non-critical services” and “Availability level of critical services” were not 100% available in December. However, they were above their goal. The detailed behavior of the services sample that make up these indicators indicates to us that the services that did not reach 100% availability during the month were the “Credit Control Desk” and “Institutional system of portfolio recovery and management”. However, they were above their goal.

Year-Month	Id R.T Indicator.	Description of R.T. Indicator	Description of noncritical service	Goal	Result of Goal
Dic/2008	5	Level of availability of non critical services	Financial Broker Management System	97.00%	100.00%
Dic/2008	5	Level of availability of non critical services	Human Resources System	97.00%	100.00%
Dic/2008	5	Level of availability of non critical services	Financial – Accounting Reporting System	97.00%	100.00%
Dic/2008	5	Level of availability of non critical services	Credit Control Desk	97.00%	99.77%
Dic/2008	5	Level of availability of non critical services	Safeguarding of Securities	97.00%	100.00%
Dic/2008	5	Level of availability of non critical services	Nafin Safeguarding System	97.00%	100.00%
Dic/2008	5	Level of availability of non critical services	Comprehensive Guarantee Management System	97.00%	100.00%

Year-Month	Id R.T Indicator.	Description of R.T. Indicator	Description of critical service	Goal	Result of Goal
Dic/2008	3	Level of availability of critical services	Money Market	99.00%	100.00%
Dic/2008	3	Level of availability of critical services	Foreign Exchange Market	99.00%	100.00%
Dic/2008	3	Level of availability of critical services	Capitals Market	99.00%	100.00%
Dic/2008	3	Level of availability of critical services	Cash Flow System	99.00%	100.00%
Dic/2008	3	Level of availability of critical services	Institutional System of portfolio Recovery and Management	99.00%	99.00%
Dic/2008	3	Level of availability of critical services	Trustee System	99.00%	100.00%
Dic/2008	3	Level of availability of critical services	N@fin Electronic	99.20%	100.00%
Dic/2008	3	Level of availability of critical services	Derivatives System	99.00%	100.00%
Dic/2008	3	Level of availability of critical services	Nafin site	99.00%	100.00%

In November, “Availability level of non-critical services” and “Availability level of critical services” were not 100% available. However, they were above their goal. The detailed behavior of the services sample that makes up these indicators indicates to us that the services that did not reach 100% availability during the month were the “Securities Safeguarding” and “Capital Markets”. However, they were above their goal.

Year-Month	Id R.T Indicator.	Description of R.T. Indicator	Description of noncritical service	Goal	Result of Goal
Nov/2008	5	Level of availability of non critical services	Financial Broker Management System	97.00%	100.00%
Nov/2008	5	Level of availability of non critical services	Human Resources System	97.00%	100.00%
Nov/2008	5	Level of availability of non critical services	Financial – Accounting Reporting System	97.00%	100.00%
Nov/2008	5	Level of availability of non critical services	Credit Control Desk	97.00%	100.00%
Nov/2008	5	Level of availability of non critical services	Safeguarding of Securities	97.00%	99.64%
Nov/2008	5	Level of availability of non critical services	Nafin Safeguarding System	97.00%	100.00%
Nov/2008	5	Level of availability of non critical services	Comprehensive Guarantee Management System	97.00%	100.00%

Year-Month	Id R.T Indicator.	Description of R.T. Indicator	Description of critical service	Goal	Result of Goal
Nov/2008	3	Level of availability of critical services	Money Market	99.00%	100.00%
Nov/2008	3	Level of availability of critical services	Foreign Exchange Market	99.00%	100.00%
Nov/2008	3	Level of availability of critical services	Capitals Market	99.00%	99.82%
Nov/2008	3	Level of availability of critical services	Cash Flow System	99.00%	100.00%
Nov/2008	3	Level of availability of critical services	Institutional System of portfolio Recovery and Management	99.00%	100.00%
Nov/2008	3	Level of availability of critical services	Trustee System	99.00%	100.00%
Nov/2008	3	Level of availability of critical services	N@fin Electronico	99.20%	100.00%
Nov/2008	3	Level of availability of critical services	Derivatives System	99.00%	100.00%
Nov/2008	3	Level of availability of critical services	Nafin site	99.00%	100.00%

In October, “Availability level of non-critical services” and “Availability level of critical services” were not 100% available. However, they were above their goal. The detailed behavior of the services sample that makes up these indicators indicates to us that the services that did not reach 100% availability during the month were the “Safeguarding of securities”, “Trustee System” and “N@fin Electrónico”. However, they were above their goal.

Year-Month	Id R.T Indicator.	Description of R.T. Indicator	Description of noncritical service	Goal	Result of Goal
Oct/2008	5	Level of availability of non critical services	Financial Broker Management System	97.00%	100.00%
Oct/2008	5	Level of availability of non critical services	Human Resources System	97.00%	100.00%
Oct/2008	5	Level of availability of non critical services	Financial – Accounting Reporting System	97.00%	100.00%
Oct/2008	5	Level of availability of non critical services	Credit Control Desk	97.00%	100.00%
Oct/2008	5	Level of availability of non critical services	Safeguarding of Securities	97.00%	99.75%
Oct/2008	5	Level of availability of non critical services	Nafin Safeguarding System	97.00%	100.00%
Oct/2008	5	Level of availability of non critical services	Comprehensive Guarantee Management System	97.00%	100.00%

Year-Month	Id R.T Indicator.	Description of R.T. Indicator	Description of critical service	Goal	Result of Goal
Oct/2008	3	Level of availability of critical services	Money Market	99.00%	100.00%
Oct/2008	3	Level of availability of critical services	Foreign Exchange Market	99.00%	100.00%
Oct/2008	3	Level of availability of critical services	Capitals Market	99.00%	100.00%
Oct/2008	3	Level of availability of critical services	Cash Flow System	99.00%	100.00%
Oct/2008	3	Level of availability of critical services	Institutional System of Recovery and Management of	99.00%	100.00%
Oct/2008	3	Level of availability of critical services	Trustee System	99.00%	99.87%
Oct/2008	3	Level of availability of critical services	N@fin Electronico	99.20%	99.03%
Oct/2008	3	Level of availability of critical services	Derivatives System	99.00%	100.00%
Oct/2008	3	Level of availability of critical services	Nafin site	99.00%	100.00%

On October 17, critical services were recovered under a simulated disaster contingency in which the goal of 100% was reached, since all services programmed were recovered.

#### Legal Risk.-

It is defined as the potential loss for the nonperformance of applicable legal and administrative provisions, issue of unfavorable administrative and judicial resolutions, as well as the application of penalties in connection with the operations carried out by the Institution.

This action is carried out through the Assistant Director's General Offices of Juridical and Trustee Matters.

At fiscal 2008 year-end, the following actions were taken:

In connection with establishing policies and procedures:

- ✓ These policies and procedures are perfectly documented in the Operating Manual of Juridical Attention in Acquisitions, Juridical Attention in Governmental Administration and Regulations in the Operating Manual of Rendering Litigious and Bank Contract Services, and finally, in the Operating Manual of Juridical Attention to Financial Markets, Risk Capital, International Matters, and Consulting Matters in both general and private matters that, in turn, have inspection points throughout the process to assure full compliance with regulations in effect, both internal and external.

With respect to the estimate of potential losses derived from unfavorable juridical or administrative rulings handed down:

- ✓ This has been possible through the foregoing point, since it has established a procedure for recording potential losses in legal risk issues. Accordingly, this has guaranteed that such contingencies be recorded reliably at the proper time, based on the rating assigned to each one of the trials based on the experience and negotiations carried out by the different Juridical Departments. This way, a potential loss is estimated gradually and enables us to avoid impairing the institutional patrimony, due to transactions carried out that lead to the existence of different risks. That rating is carried out quarterly and results in the pertinent accounting application.
- ✓ Moreover, the flowchart of the procedure adopted by the Contentious and Credit Juridical Division was submitted to the Risk Management Division in July, 2008, which allows for dealing with fines imposed by the financial authorities and their pertinent rating in the process of measuring legal risk.

In connection with acts carried out by the Institution when governed by a juridical system other than the domestic system:

- ✓ It is set forth in the Operating Manual of Juridical Attention in Financial Markets, Risk Capital, International Matters, and Consulting Matters.
- ✓ It is worth noting that during this fiscal year, there were no litigations or proceedings in this matter.

In order to inform its directors and employees of the legal and administrative provisions applicable to operations:

- ✓ The processes referred to above are periodically carried out by the Operating Quality Committees whereby the members of the process are informed of various topics of interest related to the operations that they carry out.
- ✓ In addition, through the Operating Manual of Juridical Attention in Acquisitions, Juridical Attention in Governmental Administration and Regulations of the General Offices of Governmental Regulations, the dissemination of governmental regulations applicable to the Institution in its capacity as a domestic lending

entity is contemplated as a government-controlled entity through one of its subprocesses. That dissemination is carried out through a daily review of the Official Daily Gazette and e-mailed to either the areas involved with its application or to all the Institution.

- ✓ In a manner similar to the foregoing point, in the Operating Manual of Juridical Attention in financial markets, risk capital, international matters, and consulting matters, dissemination through electronic means of circulars issued by the Central Bank of Mexico is foreseen as one of its subprocesses that are made known to the area through systems established by the Central Bank itself.

With respect to conducting internal legal audits:

- ✓ Those provisions are complied with every year, by performing both internal and external audits of all the Adjunct Juridical and Trustee General Officers, by selecting processes in the framework of the quality management system.
- ✓ The Internal Control Body is currently performing the pertinent audit of the processes selected.

Finally, in connection with maintaining a historical data base on judicial and administrative rulings handed down, their causes and costs:

- ✓ The Litigious and Credit Juridical General Offices have a historical and updated database that contains the main identification data of matters, their amounts, date and cause of termination, in addition to having developed the Litigious Portfolio Management System on a WEB (SIACCW) platform that keeps a record and control of the procedural progress of the matters turned over to the Litigious and Credit Juridical General Offices and the database that other juridical areas currently have access to as well, thereby becoming a comprehensive Management System of the Adjunct Juridical and Trustee General Officers.
- ✓ Moreover, the Governmental Regulatory General Offices are responsible for labor matters, therefore, payments and background of these litigations are contained in the system referred to as SIACCW.

Measurement of the likelihood of unfavorable judicial or administrative resolutions.

In order to estimate the amount of potential losses derived from unfavorable judicial or administrative resolutions, as well as the possible enforcement of sanctions in connection with operations carried out, we present an overall report of those matters to which Nacional Financiera is a party.

Finally, with closing amounts applicable to the fourth quarter of 2008, contingencies have arisen in the amount of \$174 from September 2006 to date, which in turn have given rise to the creation of provisions in the amount of \$48.6. The above informs us that there is a provision for potential losses of 27.95% of the contingencies recorded, of which 46.08% have been generated this year. The labor portfolio is the provision that has the highest impact with 57.64% of provisions created at 2008 year-end.

All of the above generated an effect in income in the amount of \$22.4 at the closing of the fourth quarter.

**Record of Potential Losses in connection with Legal Risks  
 (December 2008)**

		<b>Contingency</b>	<b>%</b>	<b>Provision</b>	<b>Results</b>
	<b>Total</b>	<b>174.18</b>	<b>27.92%</b>	<b>-48.64 46.08%</b>	<b>22.41</b>
1)	Labor	40.51	95.39%	-38.64 57.64%	22.27
2)	Litigation portfolio	100.96	0.00%	0.00 0.00	0.14
3)	Trusts	32.72	30.56%	-10.00 0.00	0.00
4)	Treasury and Securities Trading	0.00	0.00%	0.00 0.00	0.00
5)	Restatement				0.00

\* Amounts in local currency, valued at an exchange rate of 13.8325

Source of Information: Subadministrative Office of Risk Management Information

Significant Notes:

- 1.- The main variations of provisions generated by the labor portfolio are derived from nineteen matters that worsen their situation, in connection with the prior quarter, due to the change of rating such as the restatement of the labor contingency and its associated provision in the amount of 10.9 million pesos. The above generates a net effect in income for this portfolio in the same amount at the closing of the quarter.
- 2.- In connection with the judicial attention of lawsuits filed against the Institution, a contingency in the amount of 3.40 million pesos was eliminated in November 2008, upon obtaining a favorable ruling handed down in a lawsuit claimed against our Institution that amounted to 6.67 million pesos, in the matter associated with Emilio Araum Tame. Accordingly a provision was reversed in the amount of 1.70 million pesos.
- 3.- There are no changes in connection with the prior quarter. However, it is worth noting that there is an entry recorded in memoranda accounts in the amount of 22.7 million pesos, derived from a "Technical Reserve" (Contingent Liability), created per instructions from the CONDUSEF, as the result of a claim. Accordingly, the risk referred to should remain in a memorandum account, without entering into the issue of the Legal Risk rate. The provision recorded involves a matter provided for at 100%, since there is a "low" expectation that a favorable ruling will be handed down in terms of the methodology used.
  - 1.- Pursuant to the foregoing, there is a net effect in income in the amount of 22.4 million pesos at year-end.
  - 2.- Finally, in accordance with the provisions of FRS B-10, the effect of restatement will be included only if inflation exceeds 26% of the three prior fiscal years.

**Unquantifiable Risks.**

Unquantifiable risks are derived from losses or unforeseen external events that can not be associated with a likelihood of occurrence and the economic losses caused can be transferred to external risk taking entities.

Type of risk	Definition	Example
Loss	Risk of loss due to catastrophic events of nature that can interrupt the operation or affect Institution's	Fire, earthquake, volcanic eruption,

	capital assets.	hurricane, among other things.
External	Risk of loss caused by entities not related to the Institution.	Vandalism, demonstrations, etc.

This type of risks will be followed up on considering the following criteria:

Inventories	Control Measures	Economic Impacts
Capital assets	Institutional Capital Asset Insurance Program	<ul style="list-style-type: none"> <li>• Payment of premiums</li> <li>• Deductibles in the event that they should materialize</li> </ul>
Assets Acquired Through Judicial Proceedings		

The foregoing is possible through the following:

### Structure of the assurance program

Continuing with the downsizing of assets recorded in these last years in capital assets owned and/or under the responsibility of Nacional Financiera, S.N.C., the amounts supported by the following actions are calculated to update the assurance program.

Appraisal values were taken as the base for the determination of assurance of private and real property, by classifying real property and various assets for the different coverage, in accordance with the following:

- a) Buildings owned and/or under the responsibility of Nafin:
- b) Content in general:
- c) Breakdowns of Machinery:
- d) Electronic equipment:
- e) Boilers:

f) Contractors' equipment:

g) Mobile electronic equipment:

**Determination of Limits of Responsibility:**

For the determination of risks and limits, the risk analysis study is maintained as well as the determination of maximum limit of responsibility of 60% on the total amount of the stated value for physical damage (buildings and contents) to cover all the assets owned or under the responsibility of NAFINSA in the Mexican territory

Likewise, that limit continues to apply to assets acquired through judicial proceedings.

Policies that make up the program and assets that support:

1. Multiple Management.
2. Transportation (It includes items of furniture and office equipment, as well as electronic equipment and works of art).
3. Electronic equipment (Cellular telephones).
4. Vehicles.
5. Works of art.

**Characteristics of the policies.**

1. Insured value
2. Modalities of insurance.

**Conditions and special clauses, deductibles, and coinsurance.**

Conditions are included in insurance schemes of deductibles and coinsurance preferred over commercial practices of the insurance market to safeguard the patrimony of Nacional Financiera, S.N.C.

DATE	POLICY/ CLASS	DAMAGED ASSET	REASON FOR LOSS
1/18/2008	25300 30001783 Multiple Business	Digital camera trademark Fuji Inventory No. 2329-0010	Simple larceny
1/31/2008	25300 30001694 Transportation	Computer equipment Trademark Olivetti during the relocation from Mexico City to Tlaxcala, Tlax.	Property damage
1/30/2008	25300 20664320 20604302 20941130 Automobiles	Chevy Monza 2003 model License plate number 752-SMY	Property damage

2/01/2008	25300 20664320 20604302 20941130 Automobiles	Chevy Monza 2003 model License plate number 752-SMY	Property damage
1/18/2008	30001587 30001596 Electronic equipment (cellular telephones)	Cellular Telephone Trademark LG, Model MX 240	Simple larceny
4/17/2008	25300 30001783 30060576 (multiple business)	Computer equipment Trademark Sony model VGN-SZ340FP	Property damage
5/13/2008	25300 30001783 30060576 (multiple business)	Computer equipment Trademark HP model 6510b	Simple larceny

Finally, there were no claims and/or losses of capital assets during the October – December 2008 period. The last loss occurred in May 2008.

### **30 Prevention of money laundering and financing of terrorism:**

For Nacional Financiera, mindful of the importance of assisting in money laundering prevention nationwide, the Institution has decided not only to continue to fight this social scourge in strict performance of the General Provisions of the Ministry of Finance and Public Credit in the duties that it discharges in its capacity as a Development Bank, but it seeks innovation and ongoing improvement in its internal processes of prevention of money laundering and financing of terrorism.

In the last quarter of 2008, the duty of Money Laundering Prevention was transferred to the Internal Controllershship Division, thereby starting a new stage in prevention, detection, and reporting of operations carried out with funds of likely illicit origin in the Institution.

This new stage began in the fourth quarter of 2008, and it consists of, among other things, updating internal policies oriented toward processes that are undertaken by the areas, by strengthening the guidelines and measures considered significant to reinforce at an Institutional level. Moreover, it has undertaken the expansion of making the monitoring system more efficient, allowing for establishing stricter control over the prevention, detection, and reporting of operations carried out by customers. These projects are estimated to be concluded by the first quarter of 2009.

### **31 Restatement of financial statements:**

NAFIN recognized the following effects in its financial statements, affecting stockholders' equity in the caption of loss from previous periods. (Note 20):

- Early amortization of the projected net asset (labor obligations) in the amount of \$2,298, which implies retrospective recognition in the amount of \$202, which would have affected income of fiscal 2007, in the caption of administration and promotion expenses.
- Recording of retirement benefits in the amount of \$2,096 for the total application of labor obligations derived from the PEA and Loans to retirees, of which \$84 and \$25 apply to fiscal years 2008 and 2007, respectively. Retrospective recognition in income of the Institution in the amount of \$25 in fiscal 2007 affected the caption of administration and promotion expenses.

Moreover, the financial statements of the subsidiary Plaza Insurgentes Sur, S. A. as of December 31, 2008 include the deferred tax liability that was not recognized in the financial statements of 2007 in the amount of \$350, with an application to stockholders' equity in the caption of prior year income. Retrospectively, income of 2007 of this company changed in the amount of \$37. By applying the valuation using the equity method, NAFIN would have made an application to income of fiscal 2007 in the caption of equity in earnings of subsidiaries and associates in the amount of \$37, as well as in stockholders' equity in the caption of effects of valuation in associate and affiliate companies in the amount of \$387 (Note 5).

The financial statements of 2007 were restated as follows:

	<u>Original</u>	<u>Restated</u>	<u>Adjustments</u>
<b>Balance sheet</b>			
Assets			
Other assets, deferred charges and intangibles	\$ 2,418	\$ 25	\$ (2,393)
Liabilities			
Sundry creditors and other payables	1,646	3,563	1,917
Deferred taxes	43	393	350
Stockholders' equity			
Loss from previous periods	(5,313)	(9,800)	(4,487)
Effects of valuation in associated and affiliated companies	3,409	3,022	(387)
Net Income	941	1,155	214
<b>Income statement</b>			
Administration and promotion expenses	(1,869)	(1,692)	177
Deferred IETU, income tax & employee profit sharing	(43)	(6)	37
Net Income	941	1,155	214
	<u>Cost</u>	<u>Reclassified</u>	<u>Ajustments</u>
<b>Statement of changes in stockholders' equity</b>			
Loss from previous periods	(5,313)	(9,800)	(4,487)
Effects of valuation in associated and affiliated companies	3,409	3,022	(387)
Net Income	941	1,155	214
<b>Statement of changes in financial position</b>			
Net Income	941	1,155	214
Deferred taxes	43	6	(37)
Other financing activities	-	(4,487)	(4,487)
Permanent investments in stock	(253)	(640)	(387)
Deferred charges and credits	504	3,284	2,780
Other accounts receivable or payable	1,299	3,216	1,917

### **32 Changes in Financial Information Standards, effective January 1, 2009:**

As of February 4, 2009, date of authorization of issue of the accompanying financial statements and their notes, the CINIF has issued new Financial Reporting Standards (FRS), which went into effect for financial statements that started effective January 1, 2009. The new Financial Reporting Standard issued, but not applicable to the Institution, is FRS B-7 “Business acquisition”.

The main changes and characteristics of the new Financial Reporting Standards that will apply to the Institution, effective January 1, 2009, are the following:

a FRS B-8 “Consolidated or combined financial statements”

FRS B-8 defines specific purpose entities (SPE). Moreover, this FRS sets forth that in cases where an entity exercises control over an SPE, that SPE should be considered as a subsidiary and it should be included in the consolidated financial statements. Former Bulletin B-8 discussed above did not clearly establish the treatment for SPEs. Controlling companies that have SPEs in which they exercise control as of dates prior to the effective date of this FRS, as of the effectiveness of this FRS, should be consolidated by applying this change with the retrospective method set forth in FRS B-1.

This FRS, unlike Bulletin B-8, sets forth the option of presenting nonconsolidated financial statements instead of consolidated financial statements, only when the holding company is, in turn, a subsidiary and its controlled and uncontrolled stockholders (including that equity without voting rights) have represented their conformity therewith. In addition, that holding company:

- a) Does not hold debt or capital financial instruments listed on the securities exchange (domestic or foreign securities exchanges or on unorganized markets, including local and regional markets);
- b) Is not in a process of registering its financial statements in any securities commission or another regulatory organization, in order to issue any type of financial instrument on a public market; and
- c) Is not required to issue financial statements for external use for economic decision-making.

Effective January 1, 2009, holding companies that choose to present only nonconsolidated financial statements should apply this accounting change with the retrospective method set forth in FRS B-1.

When the existence of control of an entity over another entity, this FRS requires that the existence of potential voting rights be considered that can be exercised or converted in favor of the entity in its capacity as holding company and can change its influence in decision-making. Repealed Bulletin B-8 does not set forth anything in this respect.

b FRS C-7 “Investments in associates and other permanent investments”.

FRS C-7 sets forth that an associated company is that entity in which there is significant influence, that has a legal structure similar to or different from that of the holding company and can even be a specific purpose company (SPE). Moreover, FRS C-7 requires that an entity recognize an SPE in which it has significant influence, by applying the equity method. Bulletin B-8 discussed above did not include the SPE concept and, therefore, did not

clearly establish the criterion to follow in connection with the existence of this type of entities. Companies that have significant influence in an SPE as of dates prior to January 1, 2009, pursuant to the effectiveness of this FRS, should recognize them by applying the equity method, as well as applying this accounting change with the retrospective method set forth in FRS B-1.

When evaluating if there is significant influence, this FRS requires that the existence of potential voting rights be considered that can be exercised or converted in favor of the Company in its capacity as a holding company, and can change its influence in decision-making.

Bulletin B-8 did not establish any standard for the recognition of losses of the associated company. By the same token, FRS C-7 sets forth a specific procedure and a limit for the recognition of those losses.

c FRS C-8 “Intangible assets”.

FRS C-8 marks the limits of the definition of intangible assets as follows: “they are identifiable nonmonetary assets without any physical substance that will generate future economic benefits controlled by the entity”, which sets forth that severability is not the only condition required for an intangible asset to be identifiable.

Furthermore, it sets forth that its cost of acquisition should be considered in its initial valuation. It also sets forth which case it is in the event of an individual acquisition, a business acquisition, or an internal generation. Moreover, it adds that it should be likely that future economic benefits will be generated for the entity.

FRS C-8 sets forth that subsequent disbursements should be recognized as expenses when accrued if they form part of the research stage or as an intangible asset if they meet the criteria to be recognized as such.

This FRS research the presumption that an intangible asset could not exceed a twenty year period. It further amends the term of preoperating costs and its amortization is eliminated.

The effect of the change relative to the unamortized balance of preoperating expenses generated prior to the effectiveness of former Bulletin C-8 discussed above which, in accordance with that Bulletin, continued to be amortized, should be considered as an accounting change as of January 1, 2009. Retained earnings should be affected without restating financial statements of prior periods again.

The accounting changes generated by the initial application of this Standard, if any, should be recognized based on the retrospective method set forth in FRS B-1, Accounting changes and error corrections.

d FRS D-8 “Share based payments”.

This FRS sets forth the recognition standards for the following share based payment transactions.

- a) Payable with capital instruments such as stock or stock call options issued by the entity or a related entity as an offsetting of goods and services;
- b) Payable with cash in which the entity acquires goods or services and incurs liabilities with the supplier of those goods or services, in amounts based on the price (or value) of the stock of the entity or a related entity or other capital instruments thereof; and

- c) Payable with capital instruments or cash in which the entity receives or acquires goods or services, and the terms of the agreement grant the option of how they will be liquidated to the entity or the supplier of goods or services.

In addition, the NBSC published a Resolution in the Official Daily Gazette on October 14, 2008, which amends the general provisions applicable to lending institutions, whereby they substitute accounting criteria B-3 “Repurchase transaction” and B-4 “Securities lending”, Series B Criteria relative to the items that comprise the financial statements; C-1 “Recognition and retirement of financial assets” of the Series C Criteria applicable to specific items, and D-1 “Balance sheet”, D-2 “Income Statement”, and D-4 “Statement of changes in financial position”, Series D accounting Criteria relative to basic financial statements. It was considered pertinent to amend the accounting treatment given to securities, subject to repurchase transactions and securities lending, in order to permit that repurchase transactions and securities lending be recorded in connection with securities recorded in the captions of available-for-sale securities and held-to-maturity securities.

This resolution went into effect as of the same day it was Published. However, institutions should evidence with the NBSC that they have the necessary systems to implement the accounting criteria discussed above. Institutions that do not evidence the above should continue to apply criteria B-3, B-4, C-1, D-1, D-2, and D-4 in effect, prior to the effectiveness of this Resolution.

Toward that end, NAFIN started to analyse the changes and impacts on the accounting records and, therefore, in the preparation and presentation of the financial statements and notes that are correlative, in order to determine the changes that should be implemented as of the next fiscal year.

Moreover, meetings have been held with the different areas of the Institution in order for these areas to evaluate the impact of the changes in carrying out their operations and, if applicable, possible changes in the operating systems. It is estimated that NAFIN will apply the new regulations in the first semester of 2009.

It is worth clarifying that, upon applying the new regulations, specifically the provisions in criteria B-3 and B-4, the financial statements that would mainly be effected would be the Balance Sheet and Income Statement, upon amending the conceptualization of repurchase transactions and securities lending. For legal purposes, they are considered as a sale whereby an agreement is established to repurchase or return assets transferred. Assets continue to be recognized in the balance sheet, and the risks, benefits, and control of such assets, subject matter of the transaction, are kept. In the event that the Institution should act as a Buyer or Borrower, the control of these assets, subject matter of such transactions, is recorded in memoranda accounts and the effect of their valuation is not recognized in its income.

The main changes are as follows:

#### B-3 Repurchase transactions.

*Seller.*- It is that entity that receives cash through a repurchase transaction, whereby it transfers financial assets such as collateral, and it is bound to return the cash and interest on the repurchase transaction agreed upon at the end of the operation.

*Buyer*.- It is that entity that delivers cash through a repurchase transaction, whereby it receives financial assets such as collateral, and it is bound to return them to the seller at the end of the operation, as well as receive cash plus interest on the repurchase transaction agreed upon.

#### *Economic and legal basis of repurchase transactions*

Repurchase transactions are considered as a sale for legal purposes, whereby a repurchase agreement is established of transferred financial assets. However, the economic substance of repurchase transactions is that of collateralized financing, whereby the buyer delivers cash as financing, in exchange for receiving financial assets that serve as protection in the event of nonperformance.

In this respect, the financial assets furnished as collateral by the seller that do not meet the requirements to be retired in terms of the provisions set forth in criterion C-1 continue to be recognized in their balance sheet, since the seller retains the risks, benefits, and control thereof. In other words, should there be any change in fair value, accrual of interest or dividends declared on financial assets furnished as collateral, the seller is the party that is exposed to (and therefore recognizes) those effects in its financial statements.

In contrast, those transactions where the buyer economically acquires the risks, benefits, and control of the financial assets transferred can not be considered as repurchase transactions, subject matter of criterion B-2.

#### *Difference with respect to securities lending*

Furthermore, although the legal scheme of repurchase transactions differs from the scheme established for securities lending referred to in criterion B-4 "Securities lending", repurchase transactions contemplate the commitment of reacquiring the financial asset, subject matter of the transactions, at a fixed price at maturity. On the other hand, securities lending operations do not consider the reacquisition of financial assets, since neither the risks, benefits, nor control is substantially transferred, but rather the financial asset is returned to the lender. The accounting treatment is similar, since both operations imply the temporary transfer of financial assets in exchange for cash or other collateral.

### **Recognition and valuation standards**

#### *Seller*

On the day that the repurchase transaction is contracted, the entity that acts as the seller should recognize the receipt of cash or a receivable from a clearing account, as well as an account payable at its fair value at the price agreed upon initially, which represents the obligation to return that cash to the buyer.

Throughout the life of the repurchase transaction, the account payable referred to in the above paragraph will be valued at its fair value, through recognition of interest on the repurchase transaction in income of the year as accrued, in accordance with the effective interest method, and making an application to that account payable.

### *Buyer*

On the day that the repurchase transaction is contracted, the entity that acts as the buyer should recognize the disbursement of cash or a payable to a clearing account, as well as record an account receivable at its fair value at the price agreed upon initially, which represents the right to recover the cash delivered.

Throughout the life of the repurchase transaction, the account receivable referred to in the above paragraph will be valued at its fair value, through recognition of interest on the repurchase transaction in income of the year as accrued, in accordance with the effective interest method, and making an application to that account receivable.

### **Collateral furnished and received other than cash**

Collateral furnished by the seller to the buyer (other than cash) should be recognized in accordance with the following:

- a) The buyer will recognize the collateral received in memorandum accounts. The seller should reclassify the financial asset in its balance sheet, by presenting it as a restricted asset, in accordance with the provisions of criterion A-2 "Application of particular standards". Toward that end, the Institution will continue to adhere to valuation, presentation, and disclosure standards, in accordance with the pertinent accounting criterion for lending institutions.
- b) Upon selling the collateral, the buyer should recognize proceeds from the sale, as well as an account payable for the obligation to return such collateral to the seller (measured initially at the fair value of that collateral), which will be valued at fair value (any spread between the price received and the fair value of the account payable will be recognized in income of the year).
- c) In the event that the seller should fail to perform the conditions set forth in the contract and, therefore, should not be able to claim the collateral, the seller should remove it from its balance sheet (since the risks, benefits, and control are transferred substantially in terms of the provisions of criterion C-1) at its fair value against the account payable. By the same token, the buyer should recognize the receipt of collateral in its balance sheet, in accordance with the provisions of the accounting criteria for lending institutions, in accordance with the type of asset involved, against the account receivable or, if applicable, such collateral had previously been sold, the buyer should write off the account payable discussed in paragraph b), relative to the obligation to return such collateral to the buyer.
- d) The seller should keep the collateral in its balance sheet, and the buyer should not recognize that collateral in its financial statements. Instead, it should record it in memorandum accounts, except as discussed in paragraph c) above, that is, when the risks, benefits, and control of that collateral has been transferred due to seller nonperformance.
- e) Collateral received by the buyer recognized in memorandum accounts should be cancelled when: i) the repurchase transaction reaches maturity; ii) there is seller nonperformance; or iii) the buyer exercises the right to sell or accord and satisfaction of the collateral received.

## B-4 Securities lending

*Lender.*- The lender is that entity that transfers securities to the borrower and receives financial assets other than cash as collateral.

*Borrower.*- The borrower is that entity that receives securities from the lender and furnishes financial assets other than cash as collateral.

### *Economic and legal basis of securities lending operations*

Securities lending operations are considered as a sale for legal purposes, whereby it establishes an agreement to return the securities, subject matter of the operation, on an established date. However, the economic components of securities lending operations consist of the borrower being able to have temporary access to a certain type of securities where collateral serves to mitigate exposure to the risk faced by the lender in connection with the borrower.

In this respect, the securities transferred by the lender (or financial assets other than cash furnished as collateral by the borrower), subject matter of the operation, that fail to meet the requirements to be removed in terms of the provisions set forth in criterion C-1 continue to be recognized in its balance sheet, since it retains the rights, benefits, and control of the securities, subject matter of the operation (or financial assets). For example, if there should be any change in fair value, interest accrued or dividends declared on those securities (or assets furnished as collateral), the lender (or borrower) will be the entity that recognizes those effects in its financial statements.

In contrast, those transactions where the buyer economically acquires the risks, benefits, and control of the financial assets transferred can not be considered as repurchase transactions, subject matter of criterion B-2.

### *Difference with regard to repurchase transactions*

Furthermore, although the legal scheme of securities lending differs from the scheme established for repurchase transactions referred to in criterion B-3 “Repurchase transactions”, securities lending does not consider the reacquisition of the financial asset, subject matter of the transaction, since the neither the risks, benefits, nor control are substantially transferred, but rather the financial asset is returned to the lender. On the other hand, the repurchase transaction contemplates the commitment to reacquire that financial asset at the fixed price at maturity. The accounting treatment is similar, since both operations imply the temporary transfer of financial assets in exchange for collateral.

## **Recognition and valuation standards**

### *Lender*

On the date on which the securities lending operation is contracted, the entity acting as the lender, in connection with the security, subject matter of the loan transferred to the borrower, should recognize it as a restricted asset, in accordance with the provisions of criterion A-2 “Application of particular standards”. Toward that end, the lender will follow the valuation, presentation, and disclosure standards, in accordance with the pertinent accounting criterion for lending institutions.

Moreover, the premiums should be initially recognized as a deferred credit, and recorded in a clearing account receivable or cash receipt, as the case may be. The amount of the accrued Premium will be recognized in income of the year, through the effective interest method throughout the duration of the operation.

Financial assets (other than cash) received as collateral will be recognized in memorandum accounts, by following the guidelines set forth in criterion B-9 "Custody and asset management" for their valuation.

If the borrower should fail to perform the conditions set forth in the contract, the lender should recognize the receipt of collateral, as set forth in the accounting criteria for lending institutions, in accordance with the type of asset involved, as well as retire the security, subject matter of the operation that had previously been restricted or, if applicable, if such collateral had been previously sold, it should be written off the account payable discussed in the foregoing paragraph, which represents the obligation of returning such collateral to the borrower.

The lender should keep the security, subject matter of the operation, in its balance sheet, and the borrower should not recognize that security in its financial statements. Instead, it should record it in memorandum accounts, except as discussed in paragraph above, where the risks, benefits, and control of that collateral has been transferred due to borrower nonperformance.

Financial assets received as collateral by the lender and recognized in memorandum accounts should be cancelled when:

- i) the securities lending operation reaches its maturity;
- ii) there is borrower nonperformance; or
- iii) the lender exercises its right of sale or accord and satisfaction of guarantee of the financial assets received as collateral.

#### *Borrower*

On the date on which the securities lending operation is contracted, the entity that acts as the borrower, in connection with the security, subject matter of the loan received, should recognize that security in a memorandum account.

Moreover, the premiums should be initially recognized as a deferred charge, and recorded in a clearing account payable or cash disbursement, as the case may be. The amount of the accrued Premium will be recognized in income of the year, through the effective interest method throughout the duration of the operation.

Financial assets other than cash furnished as collateral should be recognized as restricted assets, in accordance with the provisions of criterion A-2, which will abide by the valuation, presentation, and disclosure standards, in accordance with the pertinent accounting criterion for lending institutions.

On the date on which the borrower sells or furnishes the security, subject matter of the operation, as a guarantee, a cash receipt of the proceeds derived from the sale or accord and satisfaction of the guarantee should be

recognized as well as an account payable for the obligation to return that security to the lender (initially measured at the fair value of the security, subject matter of the operation) that will be valued at fair value.

On the date on which the borrower sells or furnishes the security, subject matter of the operation, as a guarantee, a cash receipt of the proceeds derived from the sale or accord and satisfaction of the guarantee should be recognized as well as an account payable for the obligation to return that security to the lender (initially measured at the fair value of the security, subject matter of the operation) that will be valued at fair value.

IF the borrower should fail to perform the conditions set forth in the contract and, therefore, not be able to claim the financial assets furnished as collateral, those financial assets should be removed from its balance sheet (since the risks, benefits, and control are substantially transferred at that time, in the terms set forth in criterion C-1) at their fair value, against the account payable discussed in the above paragraph, which represents the obligation of returning the security, subject matter of the operation, to the lender.

The borrower should keep the collateral delivered in its balance sheet, and the lender should not recognize that security in its financial statements. Instead, it should record it in memorandum accounts, except as discussed in paragraph above, that is, when the risks, benefits, and control of that collateral has been transferred due to borrower nonperformance.

Securities received by the borrower and recognized in memorandum accounts, subject matter of the operation, should be cancelled when:

- i) the securities lending operation reaches its maturity; or
- ii) the borrower exercises its right of sale or accord and satisfaction of guarantee of the securities, subject matter of the operation.

**These notes are an integral part of the financial statements.**

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(With effect from January 1°, 2009)

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