

NACIONAL FINANCIERA

ANNUAL REPORT 2011





DURING 2011, NACIONAL FINANCIERA
MAINTAINED ITS GROWTH
DYNAMIC, WHICH MADE
IT POSSIBLE TO FINANCE A LARGER
NUMBER OF COMPANIES AND
TO SUPPORT THE DEVELOPMENT
OF STRATEGIC PROJECTS
WITH HIGH ECONOMIC AND SOCIAL
IMPACT FOR MEXICO.

BOARD OF DIRECTORS AND COMMISSIONERS, AS OF DECEMBER 31, 2011

BOARD MEMBERS, SERIES "A"

Board members

JOSÉ ANTONIO MEADE KURIBREÑA
Secretary of Finance and Public Credit
Chairman of the Board

GERARDO RODRÍGUEZ REGORDOSA
Deputy Secretary of Finance and Public Credit

BRUNO FERRARI GARCÍA DE ALBA
Secretary of Economy

JORDY HERNÁN HERRERA FLORES
Secretary of Energy

AGUSTÍN GUILLERMO CARSTENS CARSTENS
Governor of Banco de México

JOSÉ RODRIGO ROQUE DÍAZ
General Director of *Instituto Mexicano de la Propiedad Industrial*

Alternates

LUIS MADRAZO LAJOUS
Head of Development Banking Unit
Secretariat of Finance and Public Credit

ALEJANDRO DÍAZ DE LEÓN CARRILLO
Head of Public Credit Unit
Secretariat of Finance and Public Credit

MIGUEL MARÓN MANZÚR
Deputy Secretary for Small and Medium Companies
Secretariat of Economy

JAIME GONZÁLEZ AGUADÉ
Deputy Secretary of Electricity
Secretariat of Energy

JOSÉ GERARDO QUIJANO LEÓN
General Director of Financial System Analysis
Banco de México

MANUEL LOBATO OSORIO
Director of Insurance, Securities and Pensions
Secretariat of Finance and Public Credit

BOARD MEMBERS, SERIES "B"

Board members

MARIO SÁNCHEZ RUIZ
President of *Consejo Coordinador Empresarial*

SALOMÓN PRESBURGER SLOVIK
President of *Confederación de Cámaras Industriales de los Estados Unidos Mexicanos* (CONCAMIN)

JORGE ENRIQUE DÁVILA FLORES
President of *Confederación de Cámaras Nacionales de Comercio, Servicio y Turismo* (CONCANACO-SERVYTUR)

Alternates

JOSÉ EDUARDO CORREA ABREU
National President of *Cámara Mexicana de la Industria de la Construcción*

SERGIO ENRIQUE CERVANTES RODILES
National President of *Cámara Nacional de la Industria de Transformación* (CANACINTRA)

GERARDO GUTIÉRREZ CANDIANI
President of *Confederación Patronal de la República Mexicana* (COPARMEX)

INDEPENDENT BOARD MEMBERS, SERIES “B”

Both are board members—no alternates in this category

CARLOS JOSÉ GARCÍA MORENO ELIZONDO

Financial Director of *América Móvil, S.A.B. de C.V.*

CARLOS LEOPOLDO SALES SARRAPY

General Director of *Cuasar Capital*

COMMISSIONERS

Board members

Alternates

SERIES “A”

MARTHA ELVIA RODRÍGUEZ VIOLANTE

Public Commissioner
Secretariat of Public Service

JOSÉ CARLOS BUSTOS NUCHE

Deputy Public Commissioner
Secretariat of Public Service

SERIES “B”

CARLOS AGUILAR VILLALOBOS

General Director of *Despacho Aguilar Villalobos y Asociados*

IGNACIO NÚÑEZ ANTA

Auditor and Manager of *Grupo Financiero Anáhuac*

TECHNICAL SECRETARIAT FOR BOARD OF DIRECTORS

LÁZARO JIMÉNEZ GARCÍA

Secretary of the Board of Directors

PERLA LILIANA DE LA PEÑA AMANTE

Deputy Secretary of the Board of Directors

OFFICERS ATTENDING SESSIONS OF THE BOARD OF DIRECTORS, AS OF DECEMBER 31, 2011

HÉCTOR A. RANGEL DOMENE

Chief Executive Officer

REBECA ESTHER PIZANO NAVARRO

Vice President of Development Financing

JOSÉ ANTONIO AGUILAR BUENO

Vice President of Investment Banking

ANTONIO CASTAÑO LEAL

Vice President of Treasury and Markets

PEDRO A. ARGÜELLES RODRÍGUEZ MONCADA

Vice President of Credit

ROBERTO BERNARDO GUIOT Y TRONCOSO

Vice President of Regional Promotion and Institutional Relations

VÍCTOR MANUEL CARRILLO RAMOS

Vice President of Legal and Fiduciary Operations

MARÍA DEL CARMEN ARREOLA STEGER

Vice President of Administration and Finance

ARLETTE RUIZ MENDOZA

Director of Internal Control Entity

RAMÓN C. AZNAR COON

Technical Coordinator

LÁZARO JIMÉNEZ GARCÍA

Secretary of the Board of Directors

PERLA LILIANA DE LA PEÑA AMANTE

Deputy Secretary of the Board of Directors

THE TOTAL AMOUNT
OF THE LOAN PORTFOLIO
HAS BEEN MULTIPLIED
FOUR TIMES IN THE LAST FIVE YEARS,
REACHING AN AMOUNT OF
200,155 MILLION PESOS
AT THE END OF 2011.

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THE LOAN PORTFOLIO FOR
THE PRIVATE SECTOR HAS REGISTERED
AN AVERAGE ANNUAL INCREASE OF 20%
DURING THE PAST FIVE YEARS,
AND THE NUMBER OF COMPANIES
RECEIVING FINANCING HAS DOUBLED,
TO REACH A TOTAL OF OVER
185,000 COMPANIES AT THE END OF 2011.



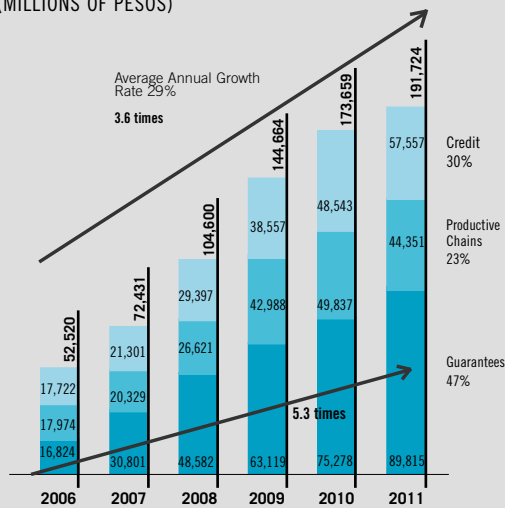
MESSAGE FROM CHIEF EXECUTIVE OFFICER

SUPPORTING DEVELOPMENT

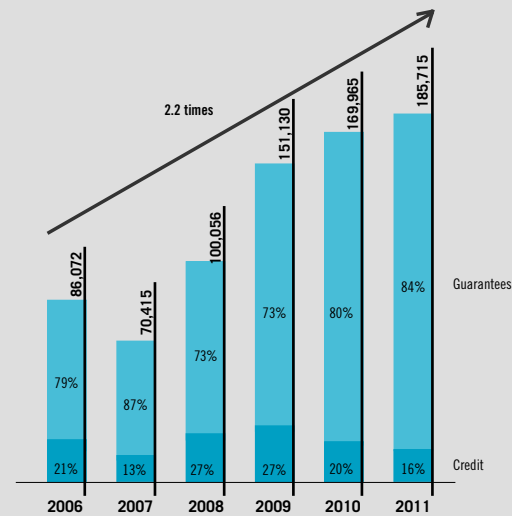
DURING 2011, NACIONAL FINANCIERA MAINTAINED ITS GROWTH DYNAMIC, WHICH MADE IT POSSIBLE TO FINANCE A LARGER NUMBER OF COMPANIES AND TO SUPPORT THE DEVELOPMENT OF STRATEGIC PROJECTS WITH HIGH ECONOMIC AND SOCIAL IMPACT FOR THE COUNTRY.

THE LOAN PORTFOLIO FOR THE PRIVATE SECTOR HAD AN AVERAGE ANNUAL GROWTH OF 29% DURING THE LAST FIVE YEARS, AND THE NUMBER OF COMPANIES RECEIVING FINANCING HAS DOUBLED.

DIRECT AND INDUCED LOAN PORTFOLIO TO PRIVATE SECTOR
(MILLIONS OF PESOS)



COMPANIES FINANCED



Especially worth noting are the efforts during the last year to promote and support new projects that generate a positive balance for the environment, such as wind energy projects, as well as projects that qualify within the framework of the Kyoto Protocol's Clean Development Mechanism (CDM), which promotes low-carbon growth for the benefit of future generations.

It is also important to mention that as a result of increased business volume, together with the implementation of policies designed to make spending more efficient, the Institution's financial structure has been strengthened, making it possible to grant more financing to support the nation's productive sector.

The above is reflected in the Bank's primary financial indicators:

- The overdue loan portfolio was at 0.21%, at the end of 2011.
- Net profits maintained their positive tendency, with a total of 825 million pesos for the year.
- Equity capital increased 44% in the 2006-2011 period.
- The regulatory capital ratio was above 15%, making it possible to maintain financial

strength in a context of heightened volatility in the markets.

For 2012 Nafinsa has a financing program for the private sector that is 10% above the amount at the close of 2011. It has the resources to increase its assistance and thus enhance its impact on the economy, particularly in segments of the market previously not served.

Héctor Rangel Domene
CHIEF EXECUTIVE OFFICER

DURING 2011, A LARGER AMOUNT
OF INDUCED CREDIT WAS
REGISTERED THROUGH THE GUARANTEES
PROGRAM, WITH 47% OF THE TOTAL
LOAN PORTFOLIO CORRESPONDING
TO THE PRIVATE SECTOR,
IN THE AMOUNT OF 191,724 MILLION PESOS.



CORPORATE GOVERNANCE

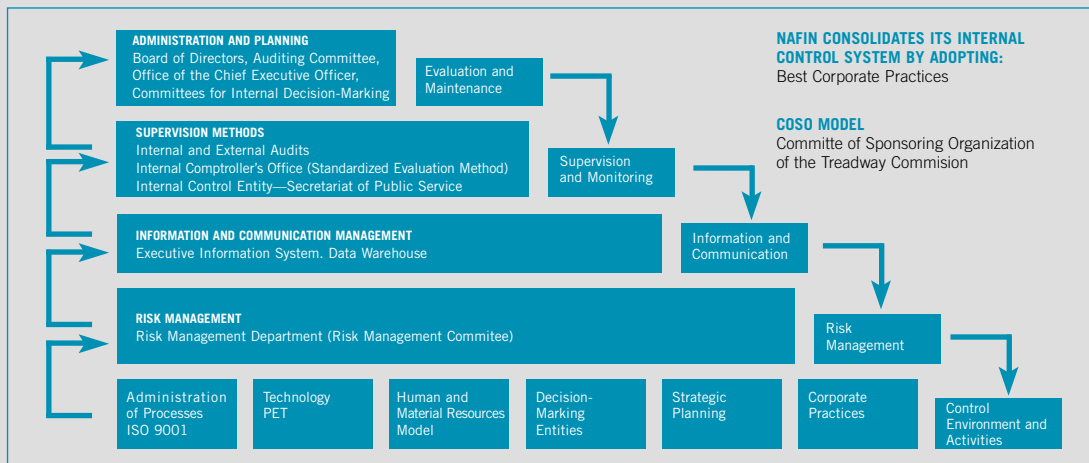
INTERNAL CONTROL SYSTEM

NACIONAL FINANCIERA (NAFINSA) HAS A SOLID INTERNAL CONTROL SYSTEM (SISTEMA DE CONTROL INTERNO—SICOI) BASED ON A CORPORATE GOVERNANCE STRUCTURE, COMPOSED OF A BOARD OF DIRECTORS, AS WELL AS VARIOUS COMMITTEES THAT GIVE THEIR OPINIONS ON DIFFERENT TOPICS SUCH AS: RISK MANAGEMENT, HUMAN RESOURCES AND INSTITUTIONAL DEVELOPMENT, FINANCING ACTIVITY AND MATTERS ASSOCIATED WITH THE INSTITUTION'S INTERNAL CONTROL AND AUDITING.

Nafinsa has worked to strengthen internal control by maintaining an appropriate interrelationship, through its Auditing Committee, with the various supervisory bodies, both at the internal level, with the Internal Comptroller's Office (*Dirección de Contraloría Interna—DCI*), and at the external level, with the Internal Control Entity (*Órgano Interno de Control—OIC*), which also conducts internal auditing, under the jurisdiction of the Secretary of Public Service (*Secretaría de la Función Pública—SFP*), as well

as the Commissioners, and external auditing by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores—CNBV*) and the Federal Audit Office (*Auditoría Superior de la Federación—ASF*). This process has brought trust, certainty and transparency to the Institution's work.

The objective of the Internal Control System (SICOI) at Nafinsa is to assure that within the Institution's general operating strategies, it has ongoing mechanisms and standards to



assess specific operations, process by process, verifying that they are conducted with reasonable security in three primary categories: effectiveness and efficiency in operations, reliability in information, and compliance with regulatory policies and provisions. This is pursued through the following internal control components: a control environment, risk management, control activities, information and communication, and supervision and monitoring of operations.

Along these lines, the Institution's operations have been characterized by the incorporation of internal control mechanisms, established in each Department in conjunction with the Internal Comptroller's Office, through the design and implementation of general and specific Corporate Control Guidelines (*Guías Corporativas de Control*) and Agendas for Control Routines (*Agendas de Rutinas de Control—ARC*), which facilitate self-control through the Standardized Method of Internal Control Assessment (*Método Estandarizado de Evaluación de Control Interno—MESE*) of processes. These same tools are also used to monitor: timely responses to observations from supervisory entities, through the monitoring of progress made to resolve the situations indicated; updated records of institutional manuals; and timely submission of regulatory reports to authorities, with the aim of notifying Departments in cases of non-compliance and minimizing the possibility of sanctions.

In this context it is important to highlight that in 2011 the Institution, through its Internal Comptroller's Office, incorporated 15 new processes into the MESE, signifying a new total of 81 processes monitored through the application of the ARCs, which are administered from the internally-developed technological platform referred to as the Administration and Internal Control System (*Sistema de Administración y Control Interno—SACI*). Also, during the same period, the Institution coordinated the annual exercise in self-assessment of control infrastructure, through the application of the 68 Corporate Control Guidelines in the various Departments, and carried out the monthly

exercise of monitoring the resolution of observations, resulting in a decrease from 57 to 26 by the end of the year.

In 2011, as part of the implementation of best practices in Corporate Governance, in line with national and international standards, the Internal Comptroller's Office identified the Institution's primary risks, using the methodology established by the SFP. This work was carried out together with the Financial Planning and Programming and Risk Management departments, by way of meetings with each of the liaisons for the General Department Offices (*Direcciones Generales Adjuntas—DGAs*), with the objective of identifying the risks of non-compliance with their own goals, on the basis of the strategic plan for each of the DGAs. After this information had been submitted, the next step was to determine the Institution's ten primary risks that could affect the process of achieving its goals and objectives in line with its mandate. These risks were presented to the Risk Management Committee and the Auditing Committee.

Also, the Internal Comptrollers' Office has coordinated actions to document and implement the necessary control mechanisms in the Institution's various projects. These include: Compliance with Article 61 of the Credit Institutions Act (*Ley de Instituciones de Crédito*) (Inactive Accounts), Policies for Returned Checks, Collection and Payment of Extraordinary Interests in National Currency, Re-engineering of Fiduciary Processes, Payment of Extraordinary Interests in National Currency, and Administration and Control of Non-identified Revenue in banks.

Furthermore, as part of the Federal Public Administration, the Institution participates in the National Program for Accountability, Transparency and the Fight against Corruption 2008-2012 (*Programa Nacional de Rendición de Cuentas, Transparencia y Combate a la Corrupción 2008-2012—PNRCTCC*). The entity responsible for the implementation of this program is the Secretariat of the Inter-secretarial Commission for Transparency and the Fight against Corruption (*Comisión Intersecretarial para la*

Transparencia y el Combate a la Corrupción—SCITCC) within the SFP.

During 2011, the Institution participated in this program, within the topics of *blindaje electoral* (“shielding elections”), focalized transparency, an institutional culture, improvement in websites, citizen participation and educational backwardness: the good judge. Based on the progress and results reported, a preliminary score of 10 was received for the year.

With regard to the Prevention of Money Laundering and Financing of Terrorism, the Institution, through its Internal Comptrollers’ Office, complies with the provisions issued by the Secretary of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público—SHCP*) in this regard. Especially worth noting is the successful implementation of the Training

Program in the Prevention of Money Laundering and Financing of Terrorism, directed at all the Institution’s active personnel, with the exception of drivers, cooks and assistant security personnel.

In 2011 there was a transformation in the training program, based on the strategy of reinforcing knowledge that personnel acquired in previous years, making it possible to develop a hypothetical history of money laundering that was structured into different modules. Each module refers to a chapter in the training program, and as participants follow the history, they resolve a series of questions that serves as their evaluation. Thus, when the history is concluded, they obtain their final score and also their certificate of participation, if they have obtained the minimum passing score or better.



ECONOMIC ENVIRONMENT

DYNAMICS OF THE MEXICAN ECONOMY

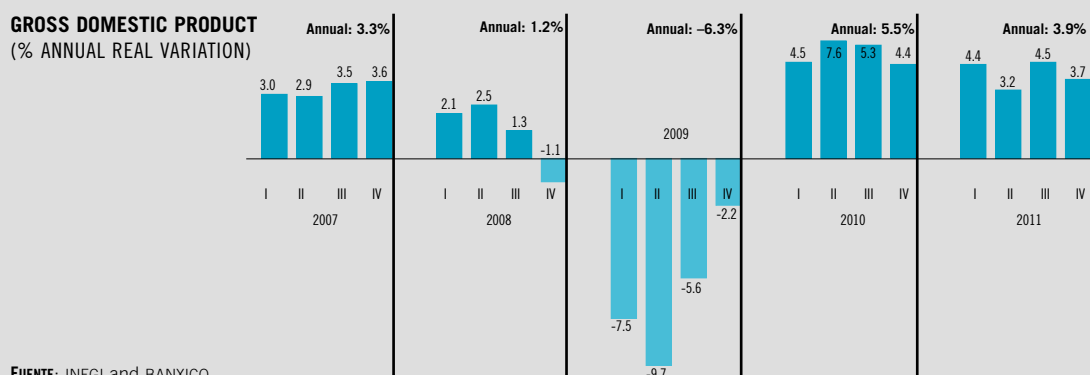
DURING 2011 MEXICO'S ECONOMIC RECOVERY CONTINUED, STRONGLY LINKED TO ACTIVITY IN THE UNITED STATES, BUT ALSO INCORPORATING ELEMENTS OF DOMESTIC DEMAND. WHILE THE DYNAMICS OBSERVED DURING THE FIRST QUARTER WERE ACCEPTABLE, THEY DIMINISHED DURING THE SECOND QUARTER, LARGELY DUE TO EFFECTS FROM FOREIGN MARKETS. AT THE END OF 2011 MEXICO'S ECONOMY PRESENTED A 3.9% ADVANCE

It is important to emphasize that Mexico maintained a notable financial situation during 2011. The relationship between the debt and the Gross Domestic Product (GDP) was approximately 30%, while the public deficit, also in relation to the GDP, remained below 3%. During the year, the net number of jobs created was close to 600,000, and banks loans to the private sector increased by 13%, representing the greatest increase since 2007. A fundamental aspect of this performance was achieving an adequate level of capitalization in Mexican banks.

Annual inflation in 2011 was 3.82%, with underlying inflation at 3.35%, and non-under-

lying inflation at 5.34%. It is worth pointing out here that during the last part of the year, there was an increase in inflation, from 3.14% in September to 3.82% in December. Among the explanatory factors are the rise in the exchange rate observed during the second half of the year, increases in prices for some agricultural products, and a rise in the price of tortillas.

Due to the stability of inflationary expectations in the medium term, and the economy's relative potential, the Central Bank (*Banco de México*) maintained the monetary policy rate of 4.50% during the entire year 2011.





FINANCING

TOTAL FINANCING PROGRAM

THROUGH THIS PROGRAM, DURING THE PERIOD FROM JANUARY TO DECEMBER 2011, THE TOTAL AMOUNT OF FINANCING GRANTED WAS 615,988 MILLION PESOS, WHICH IS 21.9% HIGHER THAN FOR THE PREVIOUS YEAR. OF THIS AMOUNT, 99.6% WAS CHANNIELED TO PRIVATE SECTOR COMPANIES AND THE REMAINING 0.4% TO THE PUBLIC SECTOR. FINANCIAL AGENT OPERATIONS DID NOT AFFECT THE BANK'S FINAL BALANCE, SINCE THE ACCOUNTING RECORDS WERE HANDLED IN OFF BALANCE SHEET ACCOUNTS..

		TOTAL FINANCING (MILLIONS OF PESOS)				
Jan-Dec 2010		Jan-Dec 2011			Difference 10/11	
Financed	Item	Program	Financed	Advance %	Amount	%
505,060	Private Sector ¹	537,692	613,399	114.1	108,339	21.5
444	Public Sector	4,000	2,589	64.7	2,145	483.1
505,505	Total Own Operations	541,692	615,988	113.7	110,484	21.9
23	Financial Agent ²	–	–	N.C.	23	N.C.
505,528	Total Financing Programs	541,692	615,988	113.7	110,461	21.9

¹ Considers guarantees and induced credit in the amounts of 200,087 and 287,861 million pesos in 2010 and 2011, respectively, and 212,536 million pesos programmed.

² Does not include 31,403 and 25,220 million pesos granted in 2010 and 2011, respectively, registered as mandates in memorandum accounts. N.C. Not comparable.

Credit and Guarantees to Private Sector Program

Financing through second-tier operations and guarantees was carried out through the Bank's various products and programs, including productive chain schemes, traditional programs, and micro-business and fixed assets financing, in addition to the guarantees scheme. Thus, between January and December 2011, credit and guarantees were granted to the

private sector in the amount of 613,399 million pesos, with second-tier operations contributing 52%, and guarantees, induced credit and first-tier financing contributing the remaining 48%.

Within second-tier operations, the programs participating in support of small and medium establishments (SMEs) were Productive Chain Schemes, with 256,381 million pesos; Traditional Programs, with 45,053 million pesos;

TOTAL FINANCING PRIVATE SECTOR						
Jan-Dec 2010		Jan-Dec 2011			Difference 10/11	
Financed (Millions of pesos)	Financing Programs	Program (Millions of pesos)	Financed (Millions of pesos)	Advance %	Financed (Millions of pesos)	%
250,326	Productive Chains	286,237	256,381	89.6	6,055	2.4
4,136	Fixed Assets Financing	4,581	5,537	120.9	1,401	33.9
11,348	Micro-bussinesses	7,817	13,428	171.8	2,080	18.3
31,953	Traditional Programs	15,521	45,053	290.3	13,100	41.0
297,763	Second Tier Credit	314,156	320,399	102.0	22,636	7.6
7,211	First Tier Credit	11,000	5,138	46.7	(2,072)	(28.7)
304,974	Total Private Sector Credit	325,156	325,538	100.1	20,564	6.7
200,087	Guarantees and Induced Credit¹	212,536	287,861	135.4	87,775	43.9
505,060	Total Private Sector Financing	537,692	613,399	114.1	108,339	21.5

¹ Includes 139,258 and 199,514 million pesos from induced credit in 2010 and 2011, respectively, as well as 147,923 million pesos in the Program.

and Micro-business and Fixed Assets Financing, with 18,965 million pesos.

Productive Chains Program

Of the total 256,381 million pesos financed through Productive Chain Schemes, 72,139 million pesos correspond to resources granted to suppliers of public offices and entities, with the Federal Government Purchases Program, created specifically to support SMEs.

In January 2011 a decrease in balances was observed, derived from seasonal maturities typically reflected at the beginning of each year.

Beginning in February 2011 this decrease stabilized, with the chains in operation plus the addition of those reaching maturity, despite the reduced activity in primarily the commercial, construction and federal sectors.

Then, beginning in the second quarter, a moderate increase was registered, primarily due to greater Federal Budget spending. Nevertheless, the fact that the FOVISSTE and Coahuila State Government chains left the program had a significant impact on the net portfolio decrease in 2011.

By December 2011, without considering these last two chains, the balance increased by 11%.

It is worth pointing out that, in general, the publication of active chains increased by 13% (68,155 million pesos).

Of the four sectors addressed by this program, the most dynamic were industry, construction and commerce.

- The industrial sector, with considerable potential and a diversified portfolio, registered an increase of 1,742 million pesos, equivalent to 48%.
- The main companies in the construction sector registered an average 8% increase in sales, above the sector's GDP.
- The commerce sector registered a 6% increase.
- The concentration in the balance has been diversified, since 55 chains generated 80% of the balance in 2011, in comparison to 37 chains in 2010.

Other important actions in 2011:

- A floating campaign was implemented for the operations of large suppliers that operated small amounts by rate in chains,

generating 2,012 million pesos between October and December.

- Alliances were established with large first-level companies to increase their publication on internet.
- A total of 104 new chains were opened with lines of 2,196 million pesos (in 2010 there were 81 chains).
- Promotion activity has been strengthened, with 70 chains in implementation and 201 in promotion at the end of the second half of the year.

Sector-Based Programs

Nafinsa's sector-based programs, in line with the objectives and premises of the 2007-2012 National Development Plan, are aimed at providing assistance to micro, small and medium establishments (MSMEs) in specific productive sectors that have limited access to financing through traditional schemes. The objective is to promote the growth and competitiveness of these establishments, while favoring job creation.

The results from Nafinsa's sector-based programs during 2011 were:

- **Program for Replacing Household Appliances for Energy Savings:** During 2011, the Trust Fund for Energy Savings (*Fideicomiso para el Ahorro de Energía Eléctrica—FIDE*) was able to replace over 504,284 inefficient appliances (refrigerators and air conditioners) for new energy-saving models. These actions generated an operated amount of over 1,920 million pesos, with all the appliances billed at the household rate. This program will continue during 2012 at the same intensive, massive scale, in the framework of the energy-efficiency actions promoted by the federal government.
- **Assistance Program for Reactivating the Automotive Industry:** Given the problems arising from the low volume of new auto sales in the national market,

Nafinsa implemented a program for supporting auto dealerships and reactivating the national market, through assistance that facilitates the granting of auto loans for persons purchasing new autos. The Program is operated by Banking Financial Intermediaries (BFIs) and Non-banking Financial Intermediaries (NBFIs), which by year's end had financed the purchase of 32,952 autos, granting loans in the amount of 4,822 million pesos.

- **Vehicle Renewal Program:** By the end of 2011, a total of 1,244 taxis had been replaced, for a total of 137 million pesos, in Mexico City. This program operates in Mexico City and in the states of Mexico, Morelos, Nayarit, Querétaro, Yucatán and Guerrero.
- **Program for Financing Higher Education:** In 2011, a total of 754 loans were granted, in the amount of 79 million pesos, and with participation by 19 universities around the country.
- **Assistance Program for Companies Affected by Natural Disasters:** In 2011 this program was created in the states of Baja California Sur, Baja California, Nuevo León, Veracruz, Oaxaca, Tabasco, Sinaloa and Chiapas, assisting over 2,280 companies with financing in the amount of 2,088 million pesos.

Assistance was also provided to other productive sectors that face competitive disadvantages and whose development is vital for maintaining and creating jobs. These include the software, leather-footwear and equipment industries.

The total amount of financing granted through sector-based programs during 2011 increased to 20,077 million pesos.

Guarantees Program

Nafinsa provides incentives for granting financing to SMEs through its Guarantees Program, as it participates in the risk involved in

financing granted by Financial Intermediaries. At the end of 2011, the established program had been surpassed by 35%. Especially worth noting is the development of business, auction, sector-based, micro-credit and emergency portfolios.

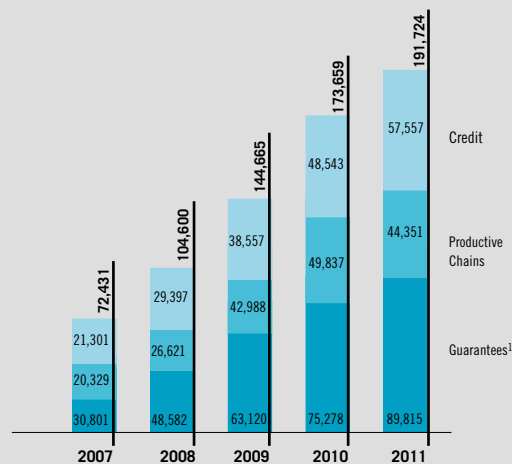
A total of 287,623 million pesos was channeled during 2011 to assist 155,073 companies, representing a growth of 44% and 14%, respectively, in comparison with the same period last year.

Also important to note is that six auctions were held during the year, in April, May, June, October and December. This made it possible to increase program operations and improve rates to borrowers. The improved results in this last point are due to the implementation of the on-line auction modality.

Total Financing to Private Sector

The total loan portfolio to the private sector, including induced financing with guarantees, increased 10% during 2011, amounting to 191,724 million pesos at year's end. Traditional financing programs contributed 30% of the total; productive chain programs contributed 23%; and the remaining 47% was concentrated in the guarantees program.

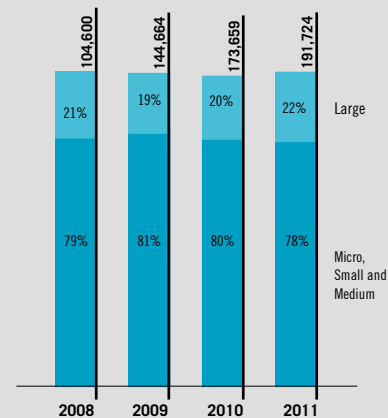
LOAN PORTFOLIO TO PRIVATE SECTOR (MILLIONS OF PESOS)



¹ Includes stock exchange credit guarantees and AICM T2.

In accordance with the mission of assisting the country's smallest companies, 78% of all financing to the private sector was concentrated in micro, small and medium-sized establishments (MSMEs).

LOAN PORTFOLIO TO PRIVATE SECTOR BY SIZE OF COMPANY (MILLIONS OF PESOS)



Regional Promotion Network

During 2011 the Regional Promotion Network continued its active promotion of Nafinsa's products and services in all the country's states. These efforts are facilitated by the knowledge offered by the promotion executives in the areas they cover, and their connection with the Institution's Advisory Councils in each state, as well as the Institution's alliances with the Secretaries of Economic Development in all the states.

During the past year the network's executives were focused primarily on the establishment and results of public and private productive chains, as well as on promotional events, the search for business opportunities in the sector-based segment, and the administration of the Advisory Councils.

New productive chains were promoted with the objectives of offering financial alternatives for working capital to micro, small and medium-sized companies (MSMEs), improving transparency and the ease of payments in government entities, and working together with local Fi-

nancial Intermediaries to increase the lines of credit in order to have a positive impact on the amount of financing granted. Efforts continue to strengthen the functioning of the Advisory Councils with the aim of maintaining dynamic connections with the most representative businesspeople and the state-level Secretariats of Economic Development in all the Mexican states. The goal is to understand and respond to regional needs, and consequently offer Special (Sector-based) Programs.

Public and Private Productive Chains

The Network of Regional Promotion and Institutional Relations is the responsibility of the Private Productive Chains located in the country, and the Public Productive Chains in 31 states and the Mexico City Government. Public Chains are divided into State Chains, Municipal Chains and in chains of Public Decentralized Entities at both the state and municipal levels.

The amount corresponding to the chains assigned to the Network registered an increase of 18.5% during 2011, from 22,064 million pesos in 2010 to 26,138 million pesos in 2011.

Regarding the chains established during 2011, those both public and private, the state network contributed with the establishment of 88 productive chains, including the reactivation of 22, for which the sale and negotiation process for reinitiating operations was once again carried out.

Special Programs Implemented in States (including sector-based, credit, SME and emergency)

During 2011, the Regional Promotion network conducted four special programs in the following states: Oaxaca (Economic Reactivation), Puebla (Repecos), Mexico City (Program for Replacing Passenger Public Transportation), and Zacatecas (Program for financing public urban transportation for persons with different capacities). Also, two emergency programs were address (in Sinaloa and in Chiapas).

Government Purchases Program

The Network of Regional Promotion Executives participated actively in promoting this program by organizing events around the country with the aim of explaining the program's characteristics to suppliers of the federal government. By the end of the year, in conjunction with the Financing area, a total of 1,918 million pesos had been granted, and 410 million pesos authorized.

Regional Promotion Events

By December 31, 2011 the Network of Regional Promotion and Institutional Relations had organized 362 promotional events, with the following regional distribution: Northwest Region (55), Northeast Region (46), Western Region (92), Central Region (94) and Southeast Region (75).

Credit and Guarantees Granted, by Regions and States

The total credit and guarantees granted to the private sector in 2011 amounted to 613,399 million pesos, representing an increase of 21.5% with respect to the amount registered in 2010. The total amount was distributed by region in the following manner: 7.1% through the Northwest Regional Office; 22.6% through the Northeast Regional Office; 18.1% through the Western Regional Office, 44.5% through the Central Regional Office and 7.7% through the South-Southeast Regional Office.

With regard to differences by region, the Regional Office registering the largest amount was the Central Office with 272,942 million pesos, and a 20.7% increase over 2010, followed by the Northeast Office with 138,707 million pesos, and a 21.6% increase. The greatest increase with respect to 2010 was registered in the Western Region with a 25.9% increase over the previous year. This achievement was due primarily to Productive Chain

REGIONAL FINANCING TO PRIVATE SECTOR, BY SECOND-TIER, FIRST-TIER AND GUARANTEES
REGIONAL CLASSIFICATION: JANUARY-DECEMBER 2011
 (THOUSANDS OF PESOS-NUMBER OF COMPANIES)

Credit and Guarantees January-December 2010			Credit and Guarantees January-December 2011		Variation in % 2010-2011		National Structure % Amount		National Structure % Companies	
Amount	Companies		Amount	Companies	Amount	Companies	2010	2011	2010	2011
505,060,247	1,816,546	Total	613,399,127	1,949,223	21.5	7.3	100.0	100.0	100.0	100.0
38,042,641	238,889	Northwest	43,568,503	228,844	14.5	-4.2	7.5	7.1	13.2	11.7
8,017,663	40,120	B. California	9,183,031	45,360	14.5	13.1	1.6	1.5	2.2	2.3
1,914,535	8,781	B. California Sur	1,971,850	15,051	3.0	71.4	0.4	0.3	0.5	0.8
19,990,718	100,011	Sinaloa	22,597,317	101,267	13.0	1.3	4.0	3.7	5.5	5.2
8,119,725	89,977	Sonora	9,816,305	67,166	20.9	-25.4	1.6	1.6	5.0	3.4
114,103,068	300,251	Northeast	138,706,799	351,911	21.6	17.2	22.6	22.6	16.5	18.1
24,477,520	69,059	Coahuila	26,140,799	70,429	6.8	2.0	4.8	4.3	3.8	3.6
12,926,905	62,702	Chihuahua	14,612,192	59,733	13.0	-4.7	2.6	2.4	3.5	3.1
4,475,501	35,312	Durango	6,197,332	38,407	38.5	8.8	0.9	1.0	1.9	2.0
62,258,578	69,448	Nuevo León	79,226,515	89,630	27.3	29.1	12.3	12.9	3.8	4.6
9,964,563	63,730	Tamaulipas	12,529,960	93,712	25.7	47.0	2.0	2.0	3.5	4.8
88,154,844	417,209	Western	110,960,466	474,985	25.9	13.8	17.5	18.1	23.0	24.4
4,515,538	16,552	Aguascalientes	5,638,872	20,461	24.9	23.6	0.9	0.9	0.9	1.0
2,821,820	22,995	Colima	2,740,478	21,685	-2.9	-5.7	0.6	0.4	1.3	1.1
13,464,734	85,565	Guanajuato	17,810,424	99,918	32.3	16.8	2.7	2.9	4.7	5.1
38,906,894	94,834	Jalisco	51,730,297	112,152	33.0	18.3	7.7	8.4	5.2	5.8
13,684,388	81,127	Michoacán	16,405,888	88,012	19.9	8.5	2.7	2.7	4.5	4.5
2,126,710	29,327	Nayarit	2,348,684	32,386	10.4	10.4	0.4	0.4	1.6	1.7
7,847,529	56,729	San Luis Potosí	9,026,255	68,659	15.0	21.0	1.6	1.5	3.1	3.5
4,787,231	30,080	Zacatecas	5,259,568	31,712	9.9	5.4	0.9	0.9	1.7	1.6
226,201,858	414,969	Central	272,941,850	441,694	20.7	6.4	44.8	44.5	22.8	22.7
141,692,771	61,010	D.F	167,913,140	65,243	18.5	6.9	28.1	27.4	3.4	3.3
6,052,078	54,737	Guerrero	6,302,642	49,920	4.1	-8.8	1.2	1.0	3.0	2.6
6,549,193	23,404	Hidalgo	8,453,754	30,763	29.1	31.4	1.3	1.4	1.3	1.6
45,365,327	111,985	México	54,872,552	121,668	21.0	8.6	9.0	8.9	6.2	6.2
6,041,817	33,324	Morelos	6,835,604	36,877	13.1	10.7	1.2	1.1	1.8	1.9
6,979,783	23,637	Querétaro	8,798,079	32,457	26.1	37.3	1.4	1.4	1.3	1.7
12,169,293	92,456	Puebla	17,717,595	90,393	45.6	-2.2	2.4	2.9	5.1	4.6
1,351,595	14,416	Tlaxcala	2,048,485	14,373	51.6	-0.3	0.3	0.3	0.8	0.7
38,557,837	445,228	South	47,221,509	451,789	22.5	1.5	7.6	7.7	24.5	23.2
2,387,377	21,526	Campeche	2,839,761	21,526	18.9	0.0	0.5	0.5	1.2	1.1
5,942,272	73,179	Chiapas	6,893,951	52,337	16.0	-28.5	1.2	1.1	4.0	2.7
4,335,812	50,741	Oaxaca	6,500,634	44,293	49.9	-12.7	0.9	1.1	2.8	2.3
3,622,156	41,053	Quintana Roo	3,400,501	37,152	-6.1	-9.5	0.7	0.6	2.3	1.9
4,620,445	38,231	Tabasco	5,984,542	48,673	29.5	27.3	0.9	1.0	2.1	2.5
12,669,247	165,767	Veracruz	15,943,431	201,571	25.8	21.6	2.5	2.6	9.1	10.3
4,980,528	54,731	Yucatán	5,658,689	46,237	13.6	-15.5	1.0	0.9	3.0	2.4

programs, assistance to micro-producers and transportation modernization.

Advisory Councils

The Advisory Councils continue to contribute to improving the Institution's performance, operating as entities for promoting and providing consultation to Nafinsa programs.

In line with the 2011 work plan, 105 Council sessions were held during the year. Information regarding the Institution's programs was disseminated at the sessions, and there were over 150 presentations on topics of interest in the areas of developing banking, economics-finances and local development, to mention a few. Experts from a number of Nafinsa's departments

participated in the sessions, and there were also speakers from outside the Institution.

During 2011, the following two important events were held:

On March 9, 2011 a Meeting with the Presidents of the Advisory Councils was held. Then, on October 28, the Tenth National Meeting of Advisory Council Members was held. The meeting was led by the Mexican President and Nafinsa's Chief Executive Officer, who expressed appreciation to the members of the 32 Advisory Councils, recognizing their dedication and effort, and highlighting their valuable work, which has contributed greatly to linking Nafinsa's work to local communities and contributed to regional development in conjunction with state and municipal governments.



INVESTMENT BANKING

GUARANTEES ON SECURITIES INSTRUMENTS

NACIONAL FINANCIERA CONTINUES TO PROMOTE THE SECURITIES MARKET THROUGH ITS GUARANTEES ON SECURITIES PROGRAM, ENABLING COMPANIES TO OPTIMIZE THEIR COMPETITIVENESS AND IMPROVE THEIR CREDIT RATING BY ISSUING SECURITIES. ISSUERS OBTAIN GREAT BENEFITS AS THEY ARE ABLE TO PLACE LARGER AMOUNTS FOR LONGER TERMS AMONG INVESTORS AND TO OPTIMIZE FUNDING COSTS.

Multilateral entities such as the Inter-American Development Bank (IDB) and the Inter-American Investment Corporation (IIC) have participated with Nafinsa to guarantee issuances by companies which, based on their profile, are eligible for assistance from these entities.

During 2011 the Guarantees on Securities Program was reviewed, with the aim of adapting it to market needs. As part of this process, Nafinsa consulted with risk qualifying agencies, securities intermediaries, trade union groups, authorities and others.

As a result, the counter-guarantees scheme was adapted to include the option of sharing these guarantees with the market, through its surplus, or of structuring them in such a way that qualifiers assign them more importance.

Also, the basis for calculating prices was modified, so that new prices will tend toward the costs determined by the issuer's theoretical indifference and for the benefit to lie in expanding its universe of investors and achieving longer terms for issuances.

This is how the process of promoting the Guarantees on Securities Program has begun, together with adaptations made with Securities

Intermediaries, Associations and Forums, as well as Afores, the Mexican Association of Retirement Fund Managers (Asociación Mexicana de Administradoras de Fondos para el Retiro—Amafore), the Mexican Stock Exchange (Bolsa Mexicana de Valores), and others.

The objectives of this process are to integrate a complete perspective on the Program among those on both the supply side and the demand side, and to promote a debt securities market in Mexico, as part of the Bank's mandate.

Some of the actions taken in this process during 2011 were the following:

- **Workshop for Afores.**
Nafinsa implemented a workshop on Guarantees on Securities Instruments with Afores and Amafore, to encourage them to consider issuances backed by Securities Guarantees in their portfolios.
- **Regulatory Modifications**
The National Commission on the Savings for Retirement System (Comisión Nacional del Sistema de Ahorro para el Retiro—CONSAR) granted flexibility in the

calculation of secured papers, and now Afores are able to acquire 100% of issuances of up to 300 million pesos. Afores are able to invest up to 2% and 1% of their portfolios in A and BBB ratings, respectively.

- **Implementation of a strategic alliance.**

A strategic alliance was implemented with a private financial institution in order to invite clients in their portfolio with the potential to issue securities. At the end of 2011, six companies had responded positively to the invitation, and the process had moved forward with three of them. In 2011 the first guarantee shared with the IDB was carried out.

During 2011 two companies were assisted through guarantees on securities for an amount of approximately 750 million pesos in two issuances. As a result, by year's end, the strategy-induced balance was above 2,500 million pesos, considering the issuances from previous years but still in effect, and the two new issuances in 2011.

In 2012 Nafinsa will continue to promote the use of Guarantees on Securities Instruments as a source of financing for medium-sized companies, and it is estimated that assistance will be provided to a number of issuers at an approximate amount of 2,500 million pesos.

Structured Financing

The structured credit line is a mechanism through which financing is obtained by way of a vehicle with a specific purpose in which companies monetize their asset portfolios, making it possible to isolate risk and obtain higher credit ratings, while not affecting their companies' overall situations.

This program is directed at medium and large companies.

During the last quarter of 2010 and the second quarter of 2011, Nafinsa authorized three structured loans in the amount of 705 million pesos. The loans were a result of the

monetization of "Sale and Lease Back"-type contracts.

In December 2011, Nafinsa's Board authorized a structured loan to an automotive company in the amount of 2,500 million pesos with a 10-year term.

Bancomext (Banco Nacional de Comercio Exterior) is participating in this project with an additional 500 million pesos that will be used to develop the new factory in Derramadero, Coahuila where the Ducato vehicle will be produced.

The first loan was granted to a social infrastructure project through a Public-Private Association. This is a syndicated loan in conjunction with Invex Bank. The project consists of financing the construction and operation of an Administrative Center in the Tlajomulco de Zúñiga municipality in the state of Jalisco.

This operation was carried out during the last month of 2011, and Nafinsa participated with an amount equivalent to 101.5 million pesos with a 15-year term. With this operation, the participation of private companies is being promoted for the development of public infrastructure projects. This contributes toward the municipality acquiring an administrative center with all the necessary physical, material and technological elements.

From December 2009 to date, Nafinsa has financed a Public Decentralized Entity serving the low-income sector through a structured loan. In the last quarter of 2011, this entity received resources in the amount of 2,300 million pesos, thus reaching an accumulated amount of 5,500 million pesos in a two-year period.

These loans contribute to the economic development of its national network of 28,000 distributors and 57,000 affiliated work centers. Also, credit is fomented for the country's workers, primarily those who have limited access to bank credit.

Financial Advisory Services

During April and October 2011 asset assessments were carried out for the debt issuances

of a low-income housing developer, whose assets are in trusts.

Also, technical reports were prepared on the assessment or determination of the theoretical value of goods included in trust-fund assets that support the issuance of *Certificados de Participación* (CPOS), in favor of ten companies from different sectors.

Government Banking

Throughout 2011 the administration of loans granted to two-public entities in the past was continued.

In December 2010 one of the loans with a semi-public entity was renewed for 2,000 million pesos with a three-year term, and it remains in effect in 2011. In addition, in June 2011 a new loan was authorized to the same entity for 2,500 million pesos with a 12-year term, disbursed in September.

Also, Nafinsa actively participates in managing the guarantee granted to the creditor banks that financed the construction of Terminal 2 at the Mexico City International Airport.

Investment Programs

Direct Investment

On March 16, 2011 Nafinsa exchanged the stockholding position it had with *Grupo Azucarero México* (GAM) for stocks with *Grupo Embotelladoras Unidas* (GEUPEC).

The main reason for this exchange of stocks was that Nafinsa had been a minority stockholder for over 12 years with GAM, which is a non-stock corporation and the BMV (Bolsa Mexicana de Valores) suspended its stock trading.

The GEUPEC company, for its part, announced its public offer for acquisition of GAM stocks. With this exchange, Nafinsa increased the value of its stockholding position.

In addition Nafinsa coordinated and concluded the process of selling its stock package with *Médica Sur, S.A.B. de C.V.* (MÉDICA), through a Secondary Public Offering in the Mexican

Stock Exchange (*Bolsa Mexicana de Valores*), in line with instructions from its Board of Directors. It is also important to emphasize that MÉDICA also entered into the process, with a Primary Public Offering of stocks, conducting a Mixed Public Offering in the Mexican Stock Exchange.

The resources from this operation will be used to support our investment projects, through the Fund of Entrepreneur Capital Funds promoted by Nafinsa, with the aim of supporting the creation and development of innovative companies with high added value in Mexico, through private investment funds.

In addition, with regard to monitoring ongoing stockholder participation, it is especially worth mentioning Nafinsa's new contribution of 1.35 million pesos to the social capital corresponding to CECOBAN, S.A. de C.V., which provides Electronic Clearing House services to Financial System banks.

Indirect Investment

During 2011 Nafinsa worked intensively to consolidate the corporate restructuring of the Mexican Capital Investment Corporation (*Corporación Mexicana de Inversiones de Capital—CMIC*), to clearly establish this corporation as the primary agent promoting Mexico's venture capital market, providing long-term financial resources to national companies with the aim of promoting their growth and competitiveness.

This restructuring process, authorized in 2010, is focused on creating a family of Funds of Funds as CMIC subsidiaries, with participation by new investors (national, foreign and also Afores), facilitating strategic alliances at the national and international levels with participants that are well known in the venture capital industry. This will make it possible to address the development requirements of this industry in our country.

The subsidiaries resulting from this restructuring are: Mexico I Fund of Funds, Fund of Entrepreneur Capital Funds, and Mexico II Fund of Funds.

Primary achievements in 2011:

- In reference to the Mexico I Fund of Funds, the Mining Trust Fund (*Fideicomiso de Fondo Minero*—FIFOMI) was incorporated with a Limited Partnership (LP) in the Mexico I Fund of Funds, contributing 9 million dollars as special “units” directed at mining funds.
- The establishment of the Fund of Entrepreneur Capital Funds was completed, finalizing investment commitments with four funds (two Mexican and two foreign), with a commitment of 25 million dollars in capital.
- It was determined that the Mexico II Fund of Funds will obtain approximately 300 million dollars, with participation by a strategic international partner and the issuance of a Capital Development Certificate (CKD).
- In December 2011 the first of three investment vehicles was established, and efforts are underway to establish the second, and to prepare the necessary documents for the issuance of the CKD for the third vehicle. The contract has now been signed with the strategic international partner, Civitas Alternative Investments.
- During the fourth quarter of 2011, CMIC obtained authorization from SHP and CNBV to invest indirectly, through funds provided by the Corporation, in the social capital of financial entities other than corporations that control financial groups, credit institutions, brokerage firms, mutual insurance companies and institutions, and bonding institutions. This will contribute toward promoting the development and abilities of Mexico’s finance sector.

In 2011 CMIC approved nine new funds with commitments totaling 116.7 million dollars, and a multiplying effect of eleven times, which will make it possible to obtain resources for these funds amounting to 1,369 million dollars to use in assisting companies. It is worth mentioning here that 2011 has been a year during which more new funds have been authorized than during any other

year since the beginning of CMIC’s operations in 2006. Also, CMIC responded to requests for 51.4 million dollars, assisting 28 companies during the year.

Support Program for Entrepreneurs

During 2011 efforts continued in the development of a new strategy for promoting venture capital in Mexico.

This strategy is already supported by a Fund of Entrepreneur Capital Funds (Mexico Ventures I), focused on assisting innovative companies with high potential for growth, primarily in the early stages.

The following activities have been carried out within this strategy, which includes four elements that address all the participants in the capital investment ecosystem:

- **Beginning of operations of the Fund of Entrepreneur Capital Funds (Mexico Ventures I).**

The corporate and fiscal strategy of Mexico Ventures I was placed into practice, and start-up resources were deposited in a corporation in Quebec (Limited Partnership) called Mexico Ventures I. Work is underway with a co-manager of the Mexico Ventures I Fund of Funds, which is Sun Mountain (Green Spring), and in conjunction with CMIC, it will support operations and raise additional capital as a General Partner.

The fund has already received 375 million pesos. Nafinsa’s commitments to CMIC will continue to be administered, for assigning 40 million dollars to the Mexico Ventures I Fund of Funds during a period of between three and five years.

- **Development of Fund Managers**

The PanAmerican Institute for High Business Direction (*Instituto Panamericano de Alta Dirección de Empresas*—IPADE) designed a special program for “Development of Fund Managers” in conjunction with Amexcap and Nafinsa officials. It will begin in the fourth quarter of 2011.

Work continued in training participants in the ecosystem during 2011, addressing the following topics:

- Establishment and administration of venture capital funds in Mexico.
- Investing in SMEs through venture capital funds.
- Training SME advisors in raising venture capital.
- How to obtain venture capital for my SME.

- **Technical Assistance**

Methodology is being developed for training and consultation to projects that need to reformulate their business objective or that need complementary assistance in order to be eligible for receiving resources from the Fund of Entrepreneur Capital Funds.

- **Ecosystem**

With the objective of forming a network of public and private entities involved in developing the entrepreneur capital market and creating companies with high potential for growth, ten strategic alliances were solidified with entities that offer: advisory services to projects in their initial stages, capitalization through angel investors or private funds, and access to forums, events and workshops designed for entrepreneurs.

As part of this process of forming the ecosystem, Nafinsa is currently participating in "Kauffman Fellows," a program focused on developing leaders in venture capital, which will seek to spread the new strategy among international experts.

Initial talks have begun for launching a Fund of Seed Capital Funds together with the Secretariat of Economy, with the aim of strengthening the scheme for financing the country's new entrepreneurs.

- **Conacyt-Nafinsa Entrepreneurs Fund**

The Entrepreneurs Fund concluded its phase of capitalization of companies. It

was able to assist 43 projects in its portfolio, of which 26 have obtained individual private investment, while seven obtained investment funds from a Venture Capital Fund and joint investment with a Private Capital Fund in a start-up company. The additional investment signifies a multiplying effect of 3.5 times the Funds' assets.

Over 2,500 proposals for technological projects were reviewed, and 110 projects were presented to the Investment Subcommittee.

The Operating Society team that assists in monitoring some of the Conacyt-Nafinsa Fund portfolio investments continues to work in conjunction with the Entrepreneurs Fund to develop exit scenarios for investments and schemes for commercial upgrading and penetrating the markets of the companies assisted.

The Entrepreneurs Fund, for its part, completed its web platform, with the aim of standardizing reports, improving the flow of communication among Fund participants, and providing specific follow-up on profitability indicators for companies, in line with international standards.

Sustainable Energy Projects

In line with the premise of working toward Sustainable Human Development as contemplated in the National Development Plan for 2007-2012, the Institution promotes and supports projects that generate a positive environmental balance, including those focused on efficient energy use and recuperating water and other natural resources, as well as projects in the framework of the Kyoto Protocol's Clean Development Mechanism (CDM). Efforts are made to ensure low-carbon growth, in order to contribute toward protecting the patrimony of future generations without compromising current natural resources.

Nafinsa participates in the Federal Government's Commitment Matrix in the national climate change strategy, and it has consolidated its role in structuring finances for renewable energy projects through the development of new products such as:

- Designing of "Project Finance" type financial structures.
- Nafinsa's participation as a first-tier bank through "Project Risk."
- Long-term financing.
- Financing in national currency to international financial intermediaries and multi-lateral financial entities, to promote foreign investment in the country.
- Contingency line of credit for offering temporary liquidity to renewable energy projects, to enable them to meet their commitments for payments on debts and thus facilitate their financial closure.
- "Selective" guarantees for projects that exceed the limit for automatic guarantees.

During the first half of 2011, Nafinsa granted first-tier financing to *Banco Nacional de Comercio Exterior, S.N.C.* (Bancomext) with resources from the Conditional Credit Line for Investment Projects (CCLIP) that Nafinsa contracted with the Inter-American Development Bank (IDB) for funding the EURUS wind park. This wind park, located in the La Ventosa region of the Mexican state of Oaxaca, will have a total installed capacity of 250.5 MW and a total investment of 570 million dollars. The loan was formalized on June 28, and on June 30 the amount was disbursed to Bancomext, with a 14-year term.

In July 2011 a loan to finance the construction and operation of the Piedra Larga Wind Park, also in the La Ventosa region in Oaxaca was disbursed. It will have an installed capacity of 90 MW and will supply electricity to its self-consumption partners formed by *Grupo Bimbo* subsidiaries. It is expected that the remaining loan disbursements will be made in 2012 for a total of approximately 688.4 million pesos.

It is important to mention that the construction phase of the Piedra Larga wind park is generating a considerable positive impact in the area, for both small property owners where the project is located, as well as through indirect job creation, with an estimated 500 persons employed.

During the second half of 2011, the Board of Directors authorized Nafinsa to participate in the financing of the ION project which consists of the construction and operation of a wind park with an installed capacity of 396 MW also in the state of Oaxaca, through the following transactions:

1. Simple loan under the First-Tier Program for an amount up to the equivalent in national currency of 50 million dollars.
2. Simple loan under the First-Tier Program for an amount of up to 1,000 million pesos in favor of a foreign Bank, to participate in funding the ION Project.

In addition the Executive Credit Committee of the Board of Directors authorized Nafinsa to grant an unsecured loan under the First-Tier Program for an amount of up to 1,000 million pesos in favor of the Inter-American Development Bank (IAB), to participate in financing the ION Project.

It is also important to note that as of June 15, 2011, Nacional Financiera, S.N.C. is responsible for operating the Mexican Carbon Fund (*Fondo Mexicano de Carbono—Fomecar*).

FOMECAR granted Financial Assistance by way of reimbursing expenses for the Documentation, Validation and Registration of projects for reducing greenhouse gas emissions, to the following projects:

- Assistance in the amount of 11,900 dollars for a dairy operation in Chihuahua that will eliminate 26,914 tonnes of carbon dioxide each year during a ten-year period and will generate electricity.
- Assistance in the amount of 24,926 dollars for 15 swine farms in La Piedad, Mi-

choacán, with an annual 70,000-tonne reduction in the release of carbon dioxide during a ten-year period, with some generating electricity.

Also, Fomecar's Technical Committee, in its Second Ordinary Session held on October 14, 2011, authorized the granting of financial assistance to the projects and programs listed below. These resources will be disbursed as the assistance contracts are formalized, on the basis of reimbursing expenses for consultation, validation and registration with the United Nations:

1. Assistance for 9 swine farms for an amount of 62,000 dollars, in the states of Jalisco and Guanajuato, with an annual 60,000-tonne reduction in the release of carbon dioxide during a ten-year period, with some generating electricity.
2. Assistance for a Sanitary Landfill located in Tonalá, Jalisco, in the amount of 92,000 dollars, with an annual 186,967-tonne reduction in the release of carbon dioxide

during a ten-year period, with electricity generated.

3. Assistance in the amount of 120,000 dollars for a program designed to use agave biomass to replace petroleum fuel, thus saving energy in the state of Jalisco, with an annual 154,439-tonne reduction in carbon dioxide released during a ten-year period.

In addition, Fomecar's Technical Committee authorized the hiring of specialized consultants to develop three CDM Programs for the Energy Regulatory Commission, with financial resources from the Energy Transition and Sustainable Energy Use Fund of the Secretariat of Energy, for projects characterized by efficient cogeneration, solar photovoltaic energy and bioenergy recovery from sanitary landfills.

Currently, this project has a very important portfolio of renewable energy generating projects, primarily wind and "mini-hydraulic" projects still in development, as well as projects focused on co-generation, energy efficiency, recycling, and recuperating and treating wastes.



INTERNATIONAL

ADMINISTRATION OF PROJECTS

IN RESPONSE TO THE COMMITMENTS ACQUIRED BY OUR COUNTRY AND BY NAFINSA, WHEN IT BORROWS FROM INTERNATIONAL FINANCIAL ENTITIES—SPECIFICALLY TO SUPPORT SUSTAINABLE DEVELOPMENT, PROTECT BIODIVERSITY, TAKE STEPS IN RESPONSE TO NATURAL DISASTERS, SEEK ALTERNATIVES FOR ENERGY GENERATION AND DIMINISH THE IMPACTS FROM CLIMATE CHANGE—NAFINSA'S INTERNATIONAL FINANCIAL ENTITIES DEPARTMENT SUPPORTS OTHER OFFICES AND ORGANIZATIONS, AND THE INSTITUTION ITSELF, IN MANAGING THE PROCESSES INVOLVED IN OBTAINING FINANCING, DONATIONS AND TECHNICAL ASSISTANCE FROM THESE ENTITIES, AND IN CONDUCTING AND MONITORING THE SUBSEQUENT ACTIVITIES.

The following projects are especially worth noting, among those supported during 2011:

- ***Program for Economic Reactivation after Natural Disasters: Assistance to MSMEs (DN3 EMPRESARIAL)***

Through this Program, the National Autonomous University of Mexico (*Universidad Nacional Autónoma de México*—UNAM) was consulted during 2011, due to its experience and installed capacity in the area of Civil Protection, to assist in identifying projects that might be eligible for support from the Inter-American Development Bank (IDB) (FOMIN). A Cooperative Agreement was signed with the UNAM, with approval from the IDB, and a study was conducted to identify SME projects in response to natural disasters.

- ***Assistance Program for Feasibility Studies for Sustainable Projects***

In 2010, the Technical Assistance Agree-

ment was formalized with the IDB, in the amount of 1.2 million dollars, in Support for Feasibility Studies for Sustainable Projects. During 2011, support was provided for the development and design of Operational Guidelines, the plan for institutional strengthening and training, the designation and preparation of representatives in actions associated with carrying out the agreement and the schedule for local contributions, in order to comply with the necessary conditions prior to the first disbursement. In addition, support was provided for the development of the Annual Acquisitions Plan (*Plan Anual de Adquisiciones*—PAC), the Disbursements Matrix, and the Terms of Reference (ToRs) for contracting individual consultants for feasibility studies and an individual consultant as an administrative, financial and acquisitions coordinator.

- ***Institutional Strengthening Program in the Sustainable Projects Department, with the IDB in the amount of 300,000 dollars.***

The Program's objective is to strengthen Nafinsa's technical and operational capacities in the actions undertaken to mitigate climate change, and in its promotion work and financial support for sustainable projects focused on the efficient use of energy, energy generation through renewable sources, the promotion of sustainable development, and institutional strengthening. The operation was approved on November 22, 2011. An Annual Acquisitions Plan has been developed, together with Terms of Reference, and the Letter of Agreement and Operational Guidelines are in the process of being developed.

- ***IDB - Microfinances***

In June 2011 a seminar on microfinances was held, sponsored by the IDB, for the purpose of analyzing the possibility of implementing a program in Nafinsa. The possibility of implementing a program for assisting this sector, due to the multiplying effect and job creation, will be reviewed with the IDB.

International Development Assistance

The following activities during 2011 are especially worth noting:

- Resources were received in foreign currency from international financial and development assistance institutions for the benefit of Nafinsa's programs.
1. CCLIP I with the IDB, for 100 million dollars, with a 20-year repayment period, and 5-year grace period, for promoting the Development of SME Suppliers and Contractors in the National Petroleum Industry and Alternative Energy Projects associated with the Petroleum Industry.
 2. CCLIP II with the IDB, for 50 million dollars, with a 20-year repayment period and 5-year grace period, for contributing to Mexico's efforts to increase renewable energy participation in electricity generation, and thus reduce greenhouse gas emissions.
 3. "Clean Technology Fund" (CTF) credit line from the IDB, for 70 million dollars, for Renewable Energy Projects.
 4. CTF credit line with the World Bank (BIRF), for 50 million dollars, for the Energy Efficiency Program.
 5. Credit line with the German Development Bank (KfW), for the Energy Efficiency Program, for 64.9 million dollars (50 million euros).
 6. Credit line with the KfW, for 31.2 million euros, for environmental investments of SMEs.
- Organization of the Eighth Annual Meeting of Financial Institutions associated with APEC SMEs, July 20-22, held in Nuevo Vallarta, Nayarit, with the topic: "Challenges and Tendencies of Programs for Financing SMEs." The event provided an opportunity for exchanging experiences among the 35 delegates participating from 10 Banks and 2 Banking Associations in China, Hong Kong, Japan, Korea, Malaysia, the Philippines, Singapore, Chinese Taipei, Taiwan, Thailand and Vietnam.
 - Nafinsa's participation in the Montreal Group, with the objective of Nafinsa participating as a founding member of the Development Banks initiative, the mission of which is focused on SMEs, and which is promoted by the Business Development Bank of Canada (BDC). Nacional Financiera participated at the meeting held in Montreal with representatives from BNDS (Brazil), KfW (Germany), FINNVERA (Finland), OSEO (France) and BDC, with the aim of reviewing the scheme of this new organization.

- Best practices were exchanged with the Latin American Association of Financial Institutions for Development (*Asociación Latinoamericana de Instituciones Financieras para el Desarrollo—ALIDE*) and its member banks, and with the Iberoamerican Institutional Assistance Program for Development of Small and Medium Enterprises (*Programa Iberoamericano de Cooperación Institucional para el Desarrollo de la Pequeña y Mediana Empresa—IBERPyme*) through the Secretariat of Foreign Relations (*Secretaría de Relaciones Exteriores*) and APEC, with financial institutions whose mission is to assist SMEs.

Financial Agent

- As of December 31, 2011, the portfolio managed by Nafinsa as a Financial Agent consists of 21 loans and 15 donations in process, for a total of 2,827.3 million dollars and 132.46 million dollars, respectively.
- The disbursements realized during 2011 came to a total of 2,177 million dollars.
- Nafinsa consolidated its participation as a Financial Agent of the Federal Government in 2011, through the allocation by the Secretariat of Finance and Public Credit (*Secretaría de Hacienda y Crédito Pública—SHCP*) of 5 new loans and 2 donations, in the amount of 1,136 million dollars, representing 65% of the 1,746 million dollars allocated by the SHCP to Development Banks serving as Financial Agents.
- Of these new loans, the mandate for the Multiphase Program for Urban Poverty Reduction (HABITAT) was negotiated with SEDESOL for 280 million dollars, financed by the IDB; and the Loan Contract between

the Secretariat of Finance and Public Credit (SHCP), the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (*Secretaría de Agricultura, Gadería, Desarrollo Rural, Pesca y Alimentación—Sagarpa*), the National Institute of Forestry, Agricultural and Livestock Research (*Instituto Nacional de Investigaciones Forestales, Agrícolas y Pecuarias—INIFAP*) and Nacional Financiera (Nafinsa), together with the Inter-American Development Bank (IDB), was formalized, for the “Rural Public Property Project (*Proyecto Bienes Públicos Rurales*),” in the amount of 190 million dollars, with the objective of contributing to a sustained increase of productivity in Mexico’s agricultural sector, by strengthening the quality of the services provided by Sagarpa, its entities and bodies.

Two loans were negotiated, one with resources from the International Bank for Reconstruction and Development (IBRD), for 350 million dollars, and the second with the Strategic Climate Fund (SCF), for 16.34 million dollars; also two donations were negotiated, for 25.66 million dollars and 3.6 million dollars, respectively, for the “Forests and Climate Change (*Bosques y Cambio Climático*)” Project, coordinated by the National Forestry Commission (*Comisión Nacional Forestal—CONAFOR*), which has the objectives of contributing to the modernization of CONAFOR as a world-class agency promoting the forestry sector; and promoting the integration of public policies and innovative perspectives in pilot projects for the Reduction of Emissions due to Deforestation and Forest Degradation (*Reducción de Emisiones por Deforestación y Degradación Forestal—REDD*).

- Income for commissions charged as a Financial Agent came to a total of 215.8 million pesos.



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TREASURY AND MARKETS

TREASURY

IN ORDER TO ASSURE THAT THE INSTITUTION CONSISTENTLY HAS THE NECESSARY AMOUNT OF RESOURCES IN NATIONAL CURRENCY IN THE BEST COST AND TERM CONDITIONS, THE TREASURY USED A FUNDING STRATEGY BASED ON DIVERSIFYING FUNDING SOURCES AND CARRYING OUT HEDGING OPERATIONS.

Balance Management

Nafinsa maintained its strategy of minimizing the impact from changes in interest rates, using the necessary hedging operations to protect the Bank's revenue corresponding to the financial margin, thus meeting the Treasury's objectives of ensuring that balance risks remain within approved limits and strengthening the Bank's capital.

Participation in the Primary and Secondary Debt Market

The foreign currency debt portfolio has met its objective of serving as a hedging instrument for the Institution's balance, to generate profits for the financial margin.

During 2011, efforts were made to participate much more actively in this market, in both the primary and secondary debt markets in foreign currency, particularly with Federal Government, Pemex and CFE instruments, increasing operating volumes significantly.

London Branch

During 2011, the promotion and operation of Nafinsa's Certificates of Deposit (in foreign currency) Program through its London Branch

resulted in gaining access to significant volumes of funding. It is important to highlight that for the second consecutive year, a level close to the program's maximum amount, established at 1,000 million dollars, was achieved.

This contributed significantly to reaching goals for funding and funding costs, making this Branch a profitable operation for Nafinsa, and helping the Institution to maintain its solid financial position and its presence in international markets, as well as to meet the needs of its clients.

It is important to point out that the Branch continues to operate with a minimal structure, maintaining sufficiently strict control over its operations and expenditures.

It should also be emphasized that the Branch has adequately complied with the reasonable provisions of liquidity and operational risk applicable in the United Kingdom.

Markets

Market Promotion

Ongoing promotion work was carried out with investment funds, pension funds administrators

and insurance companies, and with the country's primary public and private treasuries, to offer them institutional financial services and diverse short, medium and long-term banking, government and corporate instruments, as well as the purchase and sale of foreign currency and investment in foreign currency, contributing to meeting the Institution's needs for funding at competitive market levels.

Program for Direct Sale of Certificates to the Public (Programa de Venta de Títulos en Directo al Público—CETES DIRECTO)

During the first year of operations for the "CetesDirecto" program, efforts were focused on innovation, with the aim of meeting clients' demands through new functionalities such as:

- Option of Automatic Reinvestment in Purchases
- Change in Reinvestment Policy
- Recurrent Savings
- Express Contracting
- Mobile Telephony
- Mobile Portal

These innovative efforts in the "CetesDirecto" platform, together with greater coverage

throughout the country by way of strategic alliances with Bansefi and Banjercito, and various events for promoting the tradition of saving, made it possible to surpass the goals established for the first year of this program.

And consequently, the financial services offered to individuals with a wide range of savings, from small to medium amounts, were improved, plus the investors' base was expanded and public spending was financed—while in the past, Cetes could only be acquired by banks, through Central Bank auctions.

Mutual Funds

Two investment societies were constituted, *Fondo en Instrumentos sin Retención Nafinsa, S.A. de C.V.* and *Fondo Cuasigubernamental Nafinsa, S.A. de C.V.*, with the objective of expanding the range of products offered by Nafinsa's Operating Society of Mutual Funds to all investors, contributing to the development of financial markets, and promoting access for those with only small amounts of savings and for small and medium-sized companies to the investment society sector.



IN 2011 NEW PROGRAMS
WERE LAUNCHED TO PROVIDE INCENTIVES
FOR JOB CREATION AND TO ASSIST
SECTORS THAT ARE STRATEGIC
FOR ECONOMIC DEVELOPMENT, SUCH AS
THE ENERGY, AUTOMOTIVE,
CONSTRUCTION, AND PASSENGER
TRANSPORTATION SECTORS.



LEGAL AND FIDUCIARY OPERATIONS

CORPORATE AND BUSINESS OPERATIONS

THE OBJECTIVE OF THESE OPERATIONS IS TO PROVIDE CERTAINTY IN LEGAL PROCESSES RELATED TO FINANCIAL MARKETS, VENTURE CAPITAL AND INTERNATIONAL AND ADVISORY SERVICES.

IN ADDITION TO PROVIDING SUPPORT IN DEVELOPING AND REVIEWING CONTRACTS FOR NATIONAL AND FOREIGN OPERATIONS IN RESPONSE TO THE NEEDS OF THE INSTITUTION'S VARIOUS DEPARTMENTS, NAFINSA'S LEGAL ACTIVITIES RESULTED IN SOME IMPORTANT ACHIEVEMENTS. ESPECIALLY WORTH NOTING ARE: THE INTERVENTION IN FORMALIZING THE

issuing of FBD CEDES, TIE CEDES, Fixed Rate CEDES and NOTAS (Certificates of Deposit), and CEBURES; the implementation of guarantees on securities, particularly those implemented with the Inter-American Development Bank; legal services for the development of the Program for Direct Sale of Certificates to the Public (Cetes-Directo); implementation of operations with other entities in the financial sector, with clients and service providers, and in the formulation of consultations with financial authorities in compliance with applicable provisions; in addition to the review, negotiation, validation and updating of Framework Contracts for Operations to Buy-Sell Stocks and Repos, and Contracts for Banking Deposits of Titles in Commercial Commission and Administration; legal advisory services in corporate matters provided to Nafinsa's Operating Society of Mutual Funds; legal services for business schemes and advisory services in corporate banking, financial agency operations and financing with international elements granted by the Institution or that the Institution has received, including instruments that integrate backing from foreign headquarter offices with respect to credit

lines granted to Mexican companies; the dissemination of external regulations; and legal advisory services for formalizing and granting syndicated loans for ecologically sustainable projects for wind energy generation, including funding from other institutions for their participation in these projects.

Support in Government Regulations

The Institution complied at all times with government regulations applicable to banking systems, overseeing the development and implementation of legal instruments for conducting the Institution's fundamental and support activities.

Also, in relation to the Federal Audit Office (*Auditoría Superior de la Federación*—ASF), all requirements for information were addressed in a correct, timely manner; all meetings for clarifications with Nafinsa departments and auditors were coordinated and attended; and attendance at meetings for presenting preliminary and final results was also coordinated.

Federal Law on Transparency and Access to Public Government Information

During 2011, Nafinsa responded to 100% of the obligations specified in the Federal Law on Transparency and Access to Public Government Information (*Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental*—LFTAIPG).

With regard to the obligatory information indicated in Article 7 of this Law, the Institution published all of this information in the Transparency Obligations web site designed by the Federal Institute for Access to Public Information (*Instituto Federal de Acceso a la Información y Protección de Datos*—IFAI).

Regarding the procedures in response to requests for access to information, the Institution received and addressed a total of 207 requirements for information from society during 2011. The predominant topics of the information requests are associated with results from the Institution's fundamental activities, as well as statistical and administrative matters.

Legal Department

This year Nacional Financiera ratified its commitment to promote and conduct legal actions that contribute to achieving its objectives as a Development Bank, in line with the applicable legal normative framework. The legal services it has provided have led to a considerable increase in the disputed portfolio's recovery margins and to the design of legal defense strategies for avoiding or minimizing economic impacts.

In this way the Legal Department has been able to decrease the amount of the disputed portfolio and minimize the contingencies arising from legal proceedings, making it possible to reduce legal risks and apply resources recovered to projects having economic and social impact.

In addition, actions taken to automate the system, plus the records maintained of services

provided and requests received and addressed, continue to enhance the quality of legal services in relation to contracts. During 2011 an average of 99.8% was achieved in responding to requests on time.

Continuity has been successfully maintained in the coordination of a single point of entry to legal services in terms of banking formalization, linking the Legal Department, Corporate and Business Operations and Trust Operations with the Institution's business areas.

Trust Operations

New Businesses and Operations of Existing Businesses

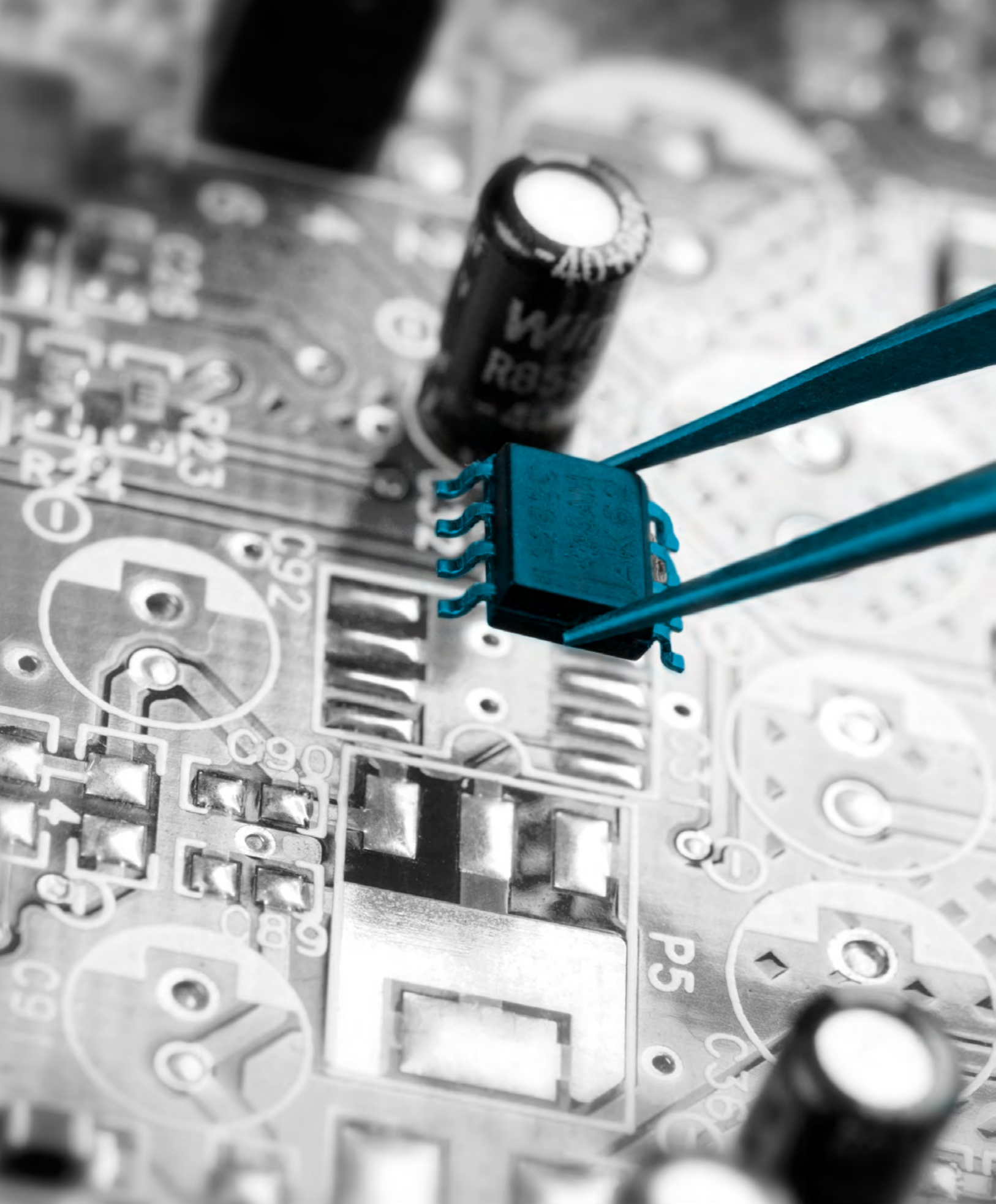
Nineteen new trusts were created in 2011, thus increasing the inventory of trust businesses to a total of 620, of which 529 are administered by the Trust Operations Department. The total amount of assets administered in trusts and mandates is 819,166 million pesos, and trust operations generated income in the amount of 171 million pesos.

The highest rating (TQ1) for an issuing trust operation was obtained from Moody's.

Furthermore, with the aim of developing a process that is aligned with the Institution's mission and vision, with adherence to the best, sound banking practices, the following actions were taken:

- Implementation of the Trust Businesses taxonomy as part of the process of admission of trust businesses.
- Constitution of the Committee for the Admission of Trust Businesses, which is comprised of the directors of the Institution's primary areas involved in decision-making associated with the admission of trust businesses.
- Issuance of Guidelines on acquittances and penalties in relation to debts in Trust Fees.

DUE TO GREATER BUSINESS
VOLUME AND POLICIES IMPLEMENTED
TO INCREASE SPENDING EFFICIENCY,
THE INSTITUTION'S FINANCIAL STRUCTURE
HAS BEEN STRENGTHENED, THUS
ACHIEVING 17,375 MILLION PESOS
IN EQUITY CAPITAL IN 2011, WITH
A REGULATORY
CAPITAL RATIO OF 15.14%.



OPERATIONS SUPPORT

RISK MANAGEMENT

ONE OF THE MAIN OBJECTIVES ESTABLISHED IN THE 2011 INSTITUTIONAL STRATEGIC PLAN IS TO MAINTAIN THE AT-RISK OVERDUE LOAN PORTFOLIO AT A LOW LEVEL, AND IF POSSIBLE, TO REDUCE THE LEVEL.

AT THE END OF 2011, THE OVERDUE LOAN PORTFOLIO INDEX WAS 0.21%, WITH A MARGINAL INCREASE OF 6 PERCENTAGE POINTS IN RELATION TO THE PREVIOUS YEAR, AND THE AMOUNT OF THE OVERDUE LOAN PORTFOLIO AT 216 MILLION PESOS.

The low levels achieved in the overdue portfolio are primarily due to the continuation of the planning strategies implemented, particularly the following:

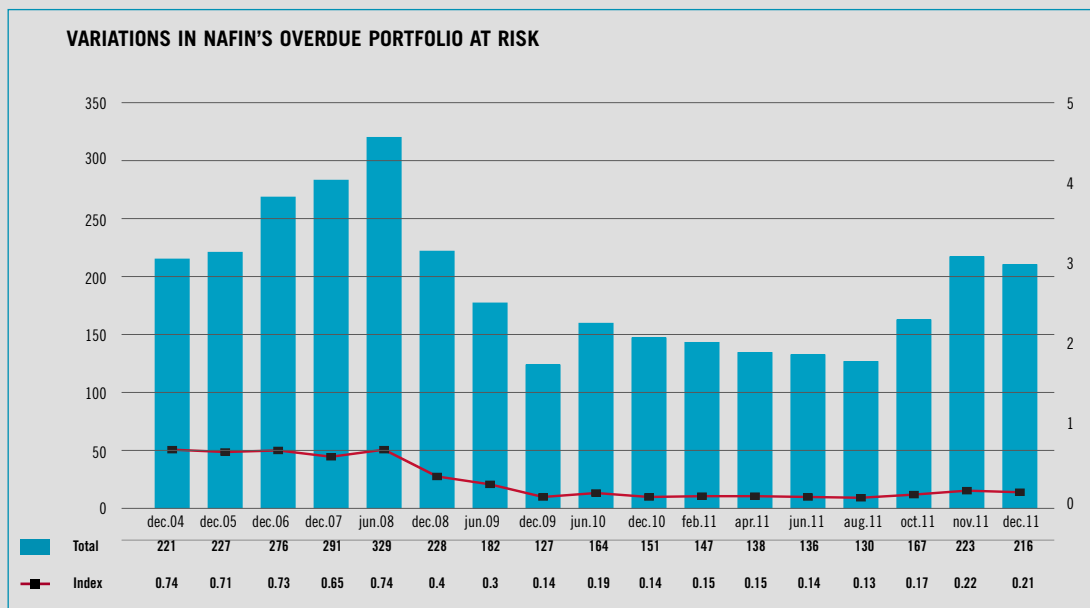
- Implementation of an early alert system, following supervisory visits with clients in the loan portfolio, facilitating timely decision-making.
- Direct payment collection, through programs in which visits are made to loan recipients presenting increased risk for loan recovery, and may include negotiating payment proposals or restructuring loans, with prior authorization from the responsible entities.
- Strategies for applying preventive reserves and loan penalties, authorized by the Board of Directors.
- Greater control and closer monitoring in the management of the overdue portfolio, derived from the implementation of the Recovery and Monitoring System, and from the creation of the Workout area, which has allowed for developing a close working relationship, negotiations and monitoring of

the portfolio with significant overdue amounts, for both Non-Banking Financial Intermediaries and first-tier companies.

- Specific training for the personnel responsible for monitoring the first and second-tier portfolio and for portfolio recovery, to enhance knowledge and abilities directly associated with their functions in this regard (personnel skills).

In this way, the Institution has brought together a team of executives specializing in payment collection and in supervision of credit and automatically-paid guarantees, thereby managing to limit and decrease the rate of overdue loans, through preventive and corrective action.

In terms of the activities carried out through the Workout area during the period from January to December 2011, the proposals for total liquidation of the portfolio that is the responsibility of *Fondo de Garantía y Fomento a la Microempresa de Mexicali, B.C.* (CREDICRECE) and *Financiera Prosperidad*, authorized by the Credit Committee at 5 million pesos and 9.5 million pesos, respectively,



were analyzed and follow-up was provided. Follow-up was also provided to the problems and proposals presented by *Eurekasoli, S.A. de C.V.*, *SOFOM, ENR* and *En Confianza, S.A. de C.V.* However, since these intermediaries failed to comply with the commitments established, the matters were turned over to the legal department on November 30, and December 1, 2011, respectively, for legal recovery.

Although the Ficen matter was turned over to the legal department in 2010, efforts continued to provide follow-up to the payment-in-kind authorized by the Committee to complete 50% of the total amount of the debt it is responsible for covering, to then proceed to restructuring the remaining amount. As well, with the aim of maintaining greater control over the portfolio discounted by Banks and Modality "A" Financial Intermediaries, steps were taken to implement supervision of the correct application of resources in the portfolio allocated for acquisition of fixed assets.

At the same time, during 2011, efforts continued in the development and modification of institutional systems of supervision and recovery, to improve control of the portfolio and compliance with regulations on the part of accredited financial intermediaries, releasing the following systems:

- Supervision and Monitoring of Loan Portfolio (Supervisión y Seguimiento de la Cartera de Crédito—SISEC).** Its primary function is to monitor the contractual conditions for proceeding or not proceeding, as well as to monitor First-Tier Projects.
- Recovery and Monitoring System (Sistema de Recuperación y Seguimiento—SIRYS).** This system was developed under Nafinsa's technological infrastructure, for the control and administration of the overdue loan portfolio.

Both systems use multi-layer architecture (technological standard at Nafinsa) and access is through a web browser.

Quality Management System

With the goal of maintaining the Institution's dynamic of growth and qualitative changes, Nacional Financiera maintains its strategy of ongoing improvement in its Quality Management System, in the development of its human capital, the strengthening of risk management, and the incorporation of appropriate

systems in its technological platform for the efficient operation of its programs.

Nafinsa's Quality Management System, which has been in operation for ten years, has been consolidated as an ongoing tool for analysis, evaluation and improvement of processes. It has served as a foundation for the development of and compliance with regulatory elements such as the internal control model and operational risk management, and compliance with the different programs implemented by the Secretariat of Public Service, including the regulatory improvement and zero observations program.

During August, the external quality audit was conducted, and the certifying company granted certification to the "Development of Sector-Based Projects" and "Provision and Administration of Medical Service" processes, which were included in the Institution's Quality Management System. Also, all of the Institution's macro-processes were re-certified.

Also during this period, the Human Resources Department, with participation by the Internal Control Entity, conducted four internal audits of the Quality Management System, focusing on 89 certified processes,

with the aim of verifying three basic aspects of the system.

- Compliance with Standard ISO9001:2008 in the operation of processes, emphasizing the new requirements in the Standard's new version.
- Focus on clients and an increase in their degree of satisfaction.
- Implementation of corrective, preventive and improvement actions within processes, including those detected in the quality audits and those identified in the operation of processes.

Client Satisfaction

In recent years, the Institution has emphasized the implementation of a tradition of quality oriented toward satisfying clients. Since clients' perceptions are the best indicator of the impacts of such a tradition, surveys have been conducted since 2004, aimed at collecting information on the perceptions of external clients. The results from the surveys up to 2011 are provided below.

2005	2006	2007	2008	2009	2010	2011	Trend	As a result of Nafinsa's assistance companies:
44%	49%	58%	58%	20%	42%	44%	↑	Created jobs
86%	80%	85%	85%	78%	81%	81%	▲	Maintained jobs
93%	94%	96%	95%	92%	88%	91%	↑	Generated liquidity
71%	79%	73%	71%	73%	71%	74%	↑	Decreased collection expenses
60%	72%	70%	69%	25%	55%	55%	▲	Increased their sales
94%	98%	97%	98%	94%	94%	96%	↑	Have a generally positive perception of services

Recognition

In addition to the re-certification of Standard ISO9001:2008, the Institution participated in the National Public Administration Award process. The objective of the award is to provide an incentive, through public and monetary recognition, to workers who have been outstanding in their performance, which has implied significant contributions toward ongoing

improvement of management in Federal Public Administration—in particular offices and entities or overall.

Within this context, the Institution nominated the initiative entitled “Nafinsa’s integrated service of training, technical assistance and on-line business e-development information for entrepreneurs and business people in national MSMEs” for the award at the national level, and it was awarded first place.

MULTILATERAL ENTITIES SUCH AS
THE INTER-AMERICAN DEVELOPMENT
BANK (IDB) AND THE INTER-AMERICAN
INVESTMENT CORPORATION (IIC)
HAVE PARTICIPATED WITH NAFINSA
TO GUARANTEE ISSUANCES BY COMPANIES
WHICH, BASED ON THEIR PROFILE,
ARE ELIGIBLE FOR ASSISTANCE
FROM THESE ENTITIES.



STRUCTURE

2011	2012	2013	2014	2015	2016	2017	2018
38.0	42.4	52.1	64.9	82.2	99.2	117.2	135.2
49.1	48.7	48.4	48.0	47.3	46.6	45.9	45.2
774	870	1,037	1,251	1,513	1,775	2,037	2,299
4,581	4,930	5,525	6,394	7,504	8,864	10,474	12,334
20.1	10.6	18.4	29.1	42.1	57.1	74.1	93.1
9.2	5.2	12.1	20.1	29.1	39.1	50.1	62.1
6.1	-0.6	12.3	20.1	29.1	39.1	50.1	62.1
	19.2	24.6	30.1	36.1	42.1	49.1	56.1

FINANCIAL RESULTS

DURING 2011 THE INSTITUTION OBTAINED A NET PROFIT OF 825 MILLION PESOS, WHICH ALLOWED IT TO IMPROVE ITS FINANCIAL STRUCTURE. THE OVERDUE LOAN PORTFOLIO WITH THE PRIVATE SECTOR WAS ONLY 0.21%; WITH CREDIT RESERVES EQUIVALENT TO 1,030.7% OF THE OVERDUE PORTFOLIO; AND THE REGULATORY CAPITAL RATIO WAS 15.14%, AS INDICATED BELOW:

Indicators	Dec' 2011 (%)
Overdue loan portfolio / Portfolio at risk	0.2
Reserves / Overdue loan portfolio	1,030.7
Growth in financing to private sector (nominal)	21.5
Financing granted to MSMEs / Total financing to private sector	86.3
Regulatory capital ratio	15.14

An analysis of the Institution's financial results for the 2011 period is given in this report's Annex B "Report on Consolidated Financial Statements with Subsidiaries, as of December 31, 2011."

234	113	215	876	234	113	215	876
34	216	745	345	34	216	745	345
657	410	465	890	312	906	321	145



234	113	215	876	234	113	215	876
34	216	745	345	34	216	745	345
657	410	465	890	312	906	321	145
1233	432	412	876	234	216	745	345
987	523	215	345	312	906	321	145
234	113	745	890	34	216	745	345
34	216	465	523	312	906	321	145
657	410	987	876	234	216	745	345
1233	432	412	876	34	216	745	345
987	523	215	345	312	906	321	145
234	113	745	890	34	216	745	345
34	216	465	523	312	906	321	145
657	410	987	876	234	216	745	345
1233	432	412	876	34	216	745	345
987	523	215	345	312	906	321	145
234	113	745	890	34	216	745	345
34	216	465	523	312	906	321	145
657	410	987	876	234	216	745	345
1233	432	412	876	34	216	745	345
987	523	215	345	312	906	321	145

INTERNAL CONTROL ENTITY

THE FACULTIES AND ATTRIBUTIONS OF THE INTERNAL CONTROL ENTITY (ÓRGANO INTERNO DE CONTROL—OIC), AS WELL AS OF THE ADMINISTRATIVE UNITS OF WHICH IT IS COMPOSED, ARE ESTABLISHED BY THE SECRETARIAT OF PUBLIC SERVICE, AND ARE FRAMED IN ITS INTERNAL REGULATIONS. AS SUCH, ITS FUNCTIONING IS ORIENTED TOWARD A FOCUS ON: PREVENTION AND IMPROVEMENT; IDENTIFYING, EVALUATING AND PROMOTING OPERATIONAL RISK MANAGEMENT; SUPPORTING CONCRETE IMPROVEMENTS IN INSTITUTIONAL PROCESSES; STRENGTHENING THE INTERNAL CONTROL SYSTEM; AND PROMOTING TRANSPARENCY AND ACCOUNTABILITY IN THE INSTITUTION'S ADMINISTRATION.

During 2011 the OIC carried out its activities in accordance with a Risk Management Model aligned with strategic planning by Nacional Financiera (Nafinsa) and the Secretariat of Public Service, covering the following: provisions from regulatory entities, critical processes, relevant information, and requests made by the administrative body and Auditing Committee. In this context the OIC annually updates its strategic planning, the results of which lead to the definition of a Work Program focused on priority aspects.

Especially worth noting is the OIC's support to the Institution in maintaining the Internal Control System harmonized with the general stipulations applicable to credit institutions, issued by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores), and with the General Manual on Internal Control issued by the Secretariat of Public Service.

In this context, the main lines of action are focused on the following aspects:

1. Support for Compliance with the Special Program for Improvement in Management.

OIC activities are oriented toward identification, validation, proposal and follow-up on actions and projects that promote Nafinsa's administrative development, modernization and improvement in management, in the framework of the Special Program for Improvement in Management in Federal Public Administration 2008-2012, established by the Federal Executive Branch.

In synergy with administrative units, the OIC has provided consultation for the planning, integration, presentation, monitoring and identification of new projects for improving management, focused on continuing to maximize the quality of services, and the Institution's efficiency and effectiveness.

On June 28, 2011, the Secretariat of Public Service published, in the Official Gazette of the Federation (Diario Oficial de la Federación—DOF), the stipulations that must be followed in the use of the Electronic System of Public Government Information (Sistema Electrónico

de Información Pública Gubernamental) referred to as CompraNet. The objective is to regulate the terms and the way in which the system is used by those subject to the Law on Public Sector Acquisitions, Leasing and Services (Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público—LAASSP), in order to guarantee the inalterability and conservation of information associated with the purchase of goods and contracting of services by the federal government.

2. Audits, Control Reviews and Diagnostic Assessments

During 2011, the following processes were carried out: 20 audits, 15 evaluations of credit operations and processes certified with the Quality Management System, 4 reviews for improving internal controls, and 13 diagnostic assessments focused on promoting improvement of management, considering the following:

- Evaluating and monitoring the quality and integrity of the internal control system.
- Promoting a tradition based on control of risks, while identifying, measuring and prioritizing operational risks and the associated controls, in consensus with those responsible for operations and processes.
- Verifying compliance with objectives, goals, programs, processes and operations, in adherence to the applicable regulatory framework.
- Strengthening channels of communication with those responsible for processes.
- Auditing the certified processes in the Quality Management System, with the aim of corroborating their level of maturity and contributing to maintaining certification with Standard ISO9001:2008.

During the reviews, the OIC interacted with those responsible in the different areas, to reach consensus prior to issuing reports, results and added-value proposals, in order to eradicate the problematic situations identified, strengthen the internal control system, and

promote improvement in institutional management.

Coordination was maintained with the outside firms responsible for preparing reports on the financial statements of the Institution and the public trust funds instituted in Nafinsa, to ensure that their work and analysis of results adheres to stipulations in the terms of reference regulating public audits of such entities, as issued by the Secretariat of Public Service.

3. Transparency and compliance with regulations

The OIC continued to participate in an advisory capacity in 24 institutional committees, particularly those focused on business management, in which the Institution's important operations are analyzed and evaluated for achievement of objectives and goals. Also important to mention is the OIC's participation in 33 operational quality committees, with the aim of promoting transparency, accountability and ongoing improvement.

Between January and December 2011, the OIC witnessed 17 acts of delivery/receipt of documentation related to the responsibilities of public servants when their employment ends. The OIC provided advisory services in these processes, and analyzed the acts in order to establish their congruency with operations and compliance with standards. It also verified that all the relevant topics and matters inherent to management were included.

As the Secretary of Nafinsa's Auditing Committee, the head of the OIC carefully addressed the corresponding responsibilities as specified in the Committee's Work Program. It is especially worth mentioning that during 2011, in accordance with the Institution's effort to decrease the use of paper, the distribution and access to information continued to be handled through the Institution's web site, thus facilitating the process of consulting and analyzing information for Committee members.

The OIC also complied with its responsibilities as a member of the Institution's Information Committee, and designated as the public servant authorized by the Secretariat of Public

Service to receive and process requests for access to information, in the terms specified in the Federal Law on Transparency and Access to Public Government Information (Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental), and to guarantee the spirit of the Law for the benefit of citizens.

4. Review and analysis of the Institution's Financial Information

The Internal Auditing Office carried out various tasks to analyze and verify the figures on Nafinsa's individual and consolidated financial statements, through which the following was confirmed:

- a) That the relevant variations identified on a monthly basis were reasonable and properly documented, and
- b) That the notes and report with comments and analysis from administration on the results of operations and the financial situation, published each quarter, together with the basic consolidated financial statements, reveal sufficient information on the status of the different line items on financial statements.

The previous work and results of audits conducted provided elements to the head of the OIC for backing the financial statements, reports and notes with regard to the adequacy of the process of generating financial information, as established by administration, and its capacity for generating reliable information.

5. Complaints, Denouncements, Disagreements, Responsibilities, Sanctions for Suppliers, and Disputes

In this area, the OIC carried out investigations of complaints and denouncements against the actions taken by the Institution's public servants, implementing procedures of administrative responsibility, in the events when such actions were merited; promoted compliance with the requirement that public servants declare their financial situation, in the cases of omission or extemporary action; addressed non-conformity on the part of suppliers in acquisitions processes and implemented procedures for sanctioning suppliers for non-compliance with regulations; and in relation to disputes, the OIC addressed a number of matters with Federal Courts.



*****7,110.34	0265A18	---	4,000.00
*****6,6	0265A17	---	1,000.00
*****10,6	FE18	---	100.00
*****12,15			
*****11,382.			
*****11,104.69			
*****10,534.81	0265		
*****9,671.38	0265		
*****9,228.25	026		
*****13,628.25	026		
*****12,857.85	0		

ANNEX A

NACIONAL FINANCIERA: IMPORTANT FIGURES

NACIONAL FINANCIERA, S.N.C., IMPORTANT FIGURES
(AT YEARS END MILLIONS OF PESOS)

Items	2006	2007	2008	2009	2010	2011
Total Assets ¹	192,493	152,830	165,868	283,695	298,224	344,387
Financial Agent Portfolio	32,078	29,257	32,885	19,991	15,360	7,097
First-Tier Loan Portfolio	55,141	6,778	6,918	13,400	19,582	22,091
Second-Tier Loan Portfolio	29,814	38,274	50,949	77,822	87,980	88,032
Total Loan Portfolio	117,033	74,310	90,752	11,213	122,922	117,220
Equity Portfolio in other Companies	1,411	1,507	1,617	1,742	1,669	1,861
Securities Portfolio	1,274	1,104	1,542	1,545	1,443	1,534
Stock Market Investments	706	1,484	837	579	834	255
Domestic Debt	136,186	96,871	101,953	123,152	127,418	118,792
Foreign Debt	41,789	39,528	46,089	31,101	26,747	23,927
Deposits in National Currency	112,800	96,871	101,953	123,152	127,418	118,792
Preventive Reserves for Credit Risk	889	889	1,974	2,284	2,241	2,229
Total Liabilities	180,464	138,682	153,586	270,703	282,688	327,012
Equity Capital	12,029	13,415	12,282	12,992	15,536	17,375
Patrimony in Trusts	503,304	571,692	744,306	749,193	789,578	819,166
Guarantees	10,549	15,943	25,475	32,294	31,115	33,909
Net Profit (loss)	840	941	108	570	1,040	825
Regulatory Capital Ratio (%)	15.5	15.0	12.4	12.6	14.2	15.1

¹ Consolidated with Subsidiaries and UDIS Trusts.

REGIONAL FINANCING TO PRIVATE SECTOR (MILLION OF PESOS)						
Region / State	2006	2007	2008	2009	2010	2011
Total	170,474	210,288	296,918	451,738	505,060	613,399
NORTHWEST	11,627	18,695	24,301	33,632	38,043	43,568
Baja California	3,359	5,013	6,485	8,416	8,018	9,183
Baja California Sur	668	994	1,488	1,936	1,915	1,972
Sinaloa	4,437	9,066	11,880	16,242	19,991	22,597
Sonora	3,162	3,623	4,447	7,039	8,120	9,816
NORTHEAST	48,341	59,147	83,413	104,978	114,103	138,706
Coahuila	5,174	6,477	11,809	20,509	24,478	26,141
Chihuahua	2,350	3,597	9,523	13,560	12,927	14,612
Durango	1,232	1,328	2,358	3,763	4,476	6,197
Nuevo León	36,158	43,836	52,899	57,753	62,259	79,226
Tamaulipas	3,427	3,910	6,823	9,394	9,965	12,530
WESTERN	23,439	28,230	42,315	75,303	88,155	110,959
Aguascalientes	1,163	1,345	2,226	3,842	4,516	5,639
Colima	594	816	1,599	2,197	2,822	2,740
Guanajuato	3,678	4,729	6,220	11,588	13,465	17,810
Jalisco	10,208	12,138	18,800	32,780	38,907	51,730
Michoacán	3,164	3,635	5,559	12,748	13,684	16,406
Nayarit	692	750	1,171	2,038	2,127	2,349
San Luis Potosí	2,737	3,606	4,753	6,396	7,848	9,026
Zacatecas	1,204	1,211	1,986	3,713	4,787	5,259
CENTRAL	75,809	89,659	126,985	204,765	226,202	272,943
Distrito Federal	49,801	56,250	78,077	128,208	141,693	167,913
Guerrero	1,033	1,213	2,009	4,661	6,052	6,303
Hidalgo	1,273	1,627	2,372	5,069	6,549	8,454
Estado de México	16,751	22,170	32,097	44,746	45,365	54,873
Morelos	1,099	1,304	2,312	4,864	6,042	6,836
Puebla	3,240	3,984	5,497	5,797	12,169	17,718
Querétaro	2,148	2,607	3,728	9,919	6,980	8,798
Tlaxcala	465	504	892	1,500	1,352	2,048
SOUTH	11,258	14,557	19,904	33,060	38,558	47,223
Campeche	994	1,550	1,481	2,483	2,387	2,840
Chiapas	1,304	1,619	1,923	4,814	5,942	6,894
Oaxaca	915	1,214	1,642	3,431	4,336	6,501
Quintana Roo	885	1,203	1,633	3,254	3,622	3,401
Tabasco	1,371	2,747	3,938	4,893	4,620	5,985
Veracruz	4,059	4,251	6,693	9,863	12,669	15,943
Yucatán	1,730	1,974	2,594	4,322	4,981	5,659

PERMANENT STOCK PORTFOLIO (MILLIONS OF PESOS)						
Transactions	2006	2007	2008	2009	2010	2011
Initial Balance	3,540	3,645	3,687	3,327	3,213	3,209
Direct	0	0	0	0	0	0
Indirect	144	10	0	0	0	0
SINCAS	110	10	0	0	0	0
Multinational Funds	34	0	0	0	0	0
Stock Contribution Program	144	10	0	0	0	0
Sale and Divestment of Establishments and Capital Reimbursement	(150)	(98)	(17)	0	0	0
Surplus (Deficit) for Stock Valuation	47	125	(422)	77	(3)	(71)
Incorporation of Trust Stocks into Fund of Funds (since 2006)	45	0	0	0	0	0
Exchange Rate Variation	19	6	142	8	(1)	257
Final Balance	3,645	3,687	3,390	3,412	3,209	3,395
Final Balance	2006	2007	2008	2009	2010	2011
Affiliated Companies	896	974	921	1,083	1,108	1,264
Financial Entities	373	405	536	524	509	543
Real Estate Agents	2,234	2,180	1,773	1,669	1,540	1,534
SINCAS, Funds and Operators	52	52	63	47	52	54
Intermediate Market Support Fund	16	0	0	0	0	0
Multinational Funds	6	0	0	0	0	0
Overseas Subsidiaries	68	76	97	89	0	0
Permanent Stock Investment	3,645	3,687	3,390	3,412	3,209	3,395

DEPOSITS IN NATIONAL CURRENCY* (MILLION OF PESOS)						
Instrument	2006	2007	2008	2009	2010	2011
Short-term BAS	80	80	80	80	80	80
Medium-term BAS	172	126	31	31	31	31
Long-term BAS	115	115	115	115	115	115
Banking Notes Acceptance	367	321	226	226	226	226
Stock Certificates	2,000	2,000	2,000	2,000	7,000	7,000
Naftie's	2,289	763	0	0	0	0
Nafcetes	0	0	0	0	0	0
Nafudis	0	0	0	0	0	0
Europesos	0	0	0	0	0	0
Nafin PG's	97,568	86,189	88,625	116,405	104,044	96,889
Uditrac	5	0	0	0	0	0
Zero Coupon Bonds	2	2	2	2	0	0
New Instruments	101,864	88,954	90,627	118,407	111,044	103,889
Diverse Deposits	52	53	57	9	12,577	1,223
Time Deposits	10,517	1,971	6,100	0	0	10,953
Total	112,800	91,299	97,010	118,642	123,847	116,291

* Interest not included.

TOTAL FOREIGN DEBT BALANCE AS OF DECEMBER 31, 2011 (MILLIONS OF US DOLLARS)						
Item	2006	2007	2008	2009	2010	2011
I. Direct Debt	3,865.3	3,594.0	3,309.6	2,367.8	2,155.6	1,709.0
A. Capital Markets	535.6	610.0	693.3	639.0	778.0	924
Euronotes	0.0	0.0	0	0	0	0
Certificates of Deposit (London)	535.6	610.0	693.3	639.0	778.0	924
Foreign bonds	0.0	0.0	0.0	0.0	0.0	0.0
B. Multilateral Entities	3,062.6	2,760	2,360	1,521	1,236	504
C. Private Banks, Eximbanks and Suppliers	267.1	224.0	256.7	207.6	141.5	281.2
II. Total Guaranteed Debt	0.0	0.0	0.0	0.0	0.0	0.0
Total	3,865.3	3,594.0	3,309.6	2,367.8	2,155.6	1,709.0

ANNEX B

**REPORT ON CONSOLIDATED
AUDITED FINANCIAL STATEMENTS
WITH SUBSIDIARIES
AS OF DECEMBER 31, 2011**

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

Consolidated Financial Statements for
the Years Ended December 31, 2011
and 2010, and Independent Auditors'
Report Dated February 28, 2012

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

Independent Auditors' Report and Consolidated Financial Statements for 2011 and 2010

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Consolidated Balance Sheets	3
Consolidated Statements of Operations	5
Consolidated Statements of Changes in Stockholders' Equity	7
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	11



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

We have audited the accompanying consolidated balance sheets of Nacional Financiera, S.N.C. Institución de Banca de Desarrollo and Subsidiaries (the "Institution") as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Institution's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements at December 31, 2010 of the subsidiaries, whose assets represent 2%, and 1% of the total consolidated income, were examined by other auditors. Accordingly, with regards to the amounts presented for the subsidiaries, our opinion is exclusively based on the reports issued by other auditors.

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

As indicated in Notes 1, 3 and 4 to the accompanying consolidated financial statements, the operations of the Institution's main subsidiary, as well as its financial reporting requirements, are regulated by the Commission and other applicable laws. Note 1 describes the operations of the Institution and the conditions of the current economic environment generated by the global financial crisis. Note 4 describe the accounting criteria established by the Commission in its general provisions applicable to credit institutions, which the Institution uses for the preparation of its financial information. Note 3 indicates the principal differences between the accounting criteria established by the Commission and Mexican Financial Reporting Standards, which are commonly applied in the preparation of financial statements for other types of unregulated entities.

As established in Note 24, on November 25, 2010 and December 6, 2011, the Institution made the payment of MX \$1,250 and \$1,650 million as established in official notice number 10.2-B-188 and 10.2-B-071 dated December 6, 2011 and November 25, 2010, respectively, and issued by the Office of the Assistant Secretary of the Treasury Department, in which the Federal Government ordered the payment of non-tax charges for the sovereign guarantee by the Federal Government of the liabilities contracted by the Institution, as established in article 26 of the "Federal Law of the Budget and Fiscal Responsibility". Such payment was made with a charge to the Institution's profits and is shown in the "Other expresses" account in the income statement. Furthermore, as indicated in Note 23, in the meetings held on November 24, 2011 and November 25, 2010, respectively, the Board of Directors instructed the Institution to take the necessary measures to request from the federal government, through the Treasury Department, a capital contribution of MX \$1,000 and 1,650 million, respectively, in order to strengthen its capital and help carry out the Institution's mandate as a development bank.

As discussed in Note 31 to the consolidated financial statements, the Institution's management decided to consolidate the consolidated financial statements of Trust 11480 "Trust Fund for Risk Equity" (the Trust) in adherence to Criterion C-5 "Consolidation of special purpose entities", on the basis that this would more completely and sufficiently reflect the results of the "Guarantee Program" managed by the Institution through this trust. This change resulted in the need to retroactively recognize the effects of the consolidation, which did not impact the Institution's equity.

In our opinion, consolidated financial statements present fairly, in all material respects, the financial position of Nacional Financiera, S.N.C. Institución de Banca de Desarrollo and Subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations, changes in their stockholders' equity and their cash flows for the years then ended, in conformity with the accounting practices prescribed by the Commission.

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

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


C.P.C. Rony García Dorantes
February 28, 2012

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

Consolidated Balance Sheets

At December 31, 2011 and 2010
(In millions of Mexican pesos)
(Notes 1,2,3, 4 and 31)

Assets	2011	2010
Cash and cash equivalents (Note 6)	\$ 17,743	\$ 16,697
Margin accounts	-	2
Investment in securities: (Note 7)		
Trading	181,766	115,406
Available for sale	2,228	288
Held to maturity	<u>14,254</u>	<u>33,792</u>
	198,248	149,486
Debtors from repurchase agreements (Note 8)	123	-
Derivatives (Note 9)		
Trading purposes	59	-
Coverage purposes	<u>326</u>	<u>409</u>
	385	409
Valuation adjustments due to financial assets hedge (Note 9)	243	102
Current loan portfolio:		
Commercial loans-		
Commercial activity	15,806	12,304
Financial entities	83,779	84,206
Government entities loans	<u>10,364</u>	<u>10,713</u>
	109,949	107,223
Consumer loan portfolio	1	2
Mortgage loans	173	186
Federal government's financial agent	<u>7,097</u>	<u>15,360</u>
Total current loan portfolio	117,220	122,771
Past-due loan portfolio:		
Commercial loans-		
Commercial activity	35	53
Financial entities	<u>158</u>	<u>73</u>
	193	126
Consumer loan portfolio	4	4
Mortgage loans	<u>19</u>	<u>21</u>
Total past-due portfolio	216	151
Total loan portfolio (Note 10)	117,436	122,922
Allowance for loan losses (Note 11)	<u>(2,380)</u>	<u>(2,372)</u>
Loan portfolio (net)	115,056	120,550
Other receivables (net) (Note 12)	2,447	2,456
Repossessed assets (net) (Note 13)	25	6
Property, furniture and equipment(net)	1,772	1,809
Other investments (Note 14)	43	44
Permanent investments (Note 15)	2,699	2,220
Other assets, deferred charges and intangibles	<u>1,030</u>	<u>714</u>
Total assets	<u>\$ 339,814</u>	<u>\$ 294,495</u>

Liabilities	2011	2010
Traditional deposits:		
Term deposits: (Note 16)		
Money market	\$ 106,420	\$ 115,967
Issued credit titles:		
Bank bonds (Note 17)	7,021	7,020
Securities placed abroad (Note 18)	<u>12,891</u>	<u>9,607</u>
	126,332	132,594
Interbank loans and those from other entities (Note 19)		
Payable on demand	1,203	952
Short-term loans	3,234	10,143
Long-term loans	<u>8,047</u>	<u>7,573</u>
	12,484	18,668
Creditors from repurchase agreements (Note 8)	178,396	124,919
Derivatives: (Note 9)		
Trading purposes	23	44
Valuation adjustments due to financial liabilities hedge (Note 9)	174	151
Other payables: (Note 20)		
Income taxes	489	479
Employee profit sharing (PTU) payable	142	89
Transaction settlement creditors	2,612	291
Accrued liabilities and other	<u>513</u>	<u>601</u>
	3,756	1,460
Deferred taxes (net) (Note 22)	236	280
Deferred credits	<u>64</u>	<u>27</u>
Total liabilities	321,465	278,143
Stockholders' equity (Note 23)		
Paid-in capital:		
Capital stock	8,805	8,211
Contributions for future capital increases approved by the Board of Directors	1,000	5,150
Share subscription premium	<u>8,922</u>	<u>4,366</u>
	18,727	17,727
Earned capital:		
Capital reserves	1,730	1,730
Results of prior years	(6,987)	(8,027)
Result from valuation of securities available for sale	57	12
Translation gain on foreign transactions	130	130
Effects of valuation on associated and affiliated companies	2,893	2,924
Net income	<u>825</u>	<u>1,040</u>
	(1,352)	(2,191)
Noncontrolling interest	<u>974</u>	<u>816</u>
Total stockholders' equity	18,349	16,352
Total liabilities and stockholders' equity	<u>\$ 339,814</u>	<u>\$ 294,495</u>

Memorandum accounts

	2011	2010
Guarantees granted (Note 25)	\$ 295	\$ 1,026
Contingent assets and liabilities (Note 25)	\$ 24,019	\$ 23,862
Property held in trust or under mandate: (Note 26)		
In trust	\$ 613,503	\$ 579,767
Under mandate	\$ 38,335	\$ 82,275
	\$ 651,838	\$ 662,042
Federal government's financial agent	\$ 167,327	\$ 127,176
Property held in custody or under administration	\$ 396,333	\$ 339,234
Collateral received by the entity	\$ 72,114	\$ 35,543
Collateral received and sold or pledged as collateral by the entity	\$ 71,991	\$ 35,543
Investment banking transactions on behalf of third parties, net	\$ 86,931	\$ 84,454
Uncollected accrued interest derived from non-performing loan portfolio	\$ 51	\$ 50
Other record accounts (Note 27)	\$ 567,156	\$ 576,362

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

"The amount of historical common stock is \$2,390."


"Pursuant to the special accounting criteria issued on October 16, 2008 by the National Banking and Securities Commission, on October 1, 2008, investments in securities were reclassified from the available for sale category to securities held until maturity. The valuation effect in the current month would have been \$229 and at December 2010 was \$108."


"As of March 31, 2011, the Institution applied the consumer and mortgage loan portfolio rating methodology published on October 25, 2010 in the Federal Official Gazette by the National Banking and Securities Commission, through a ruling amending the general provisions applicable to credit institutions. The initial effect did not impact the "Results of prior tax years" line item of this balance sheet."


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


"The Head of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D. 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."

"Reyna Clementina Uribe Bruno, Head of the Area of Responsibilities of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D. (A), signs on behalf of the Head of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D., in conformity with Article 88, Paragraph 2 of the Internal Regulations of the Civil Service Department, and official letter 06/780/045 /2012 dated February 3, 2012."


 Ing. Héctor A. Rangel Domene
 Chief Executive Officer


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


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


 Lic. Arlette Ruiz Mendoza
 Head of Internal Control Area in Nacional Financiera,
 S.N.C. (A)

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Operations

For the years ended December 31, 2011 and 2010

(In millions of Mexican pesos)

(Notas 1, 2, 3, 4 and 31)

	2011	2010
Interest income (Note 24)	\$ 19,745	\$ 17,183
Interest expense (Note 24)	<u>(18,027)</u>	<u>(13,650)</u>
Financial margin	1,718	3,533
Provision for loan losses	<u>(949)</u>	<u>(961)</u>
Financial margin after provision for loan losses	769	2,572
Commission and fee income	1,499	1,350
Commission and fee expense	(104)	(82)
Intermediation result (Note 24)	1,674	624
Other operating income (expenses) (Note 24)	34	(421)
Administrative and promotional expenses	<u>(2,609)</u>	<u>(2,425)</u>
Net operating revenues	1,263	1,618
Equity in results of associated companies	<u>(9)</u>	<u>(9)</u>
Income before current and deferred income taxes	1,254	1,609
Current income taxes (Note 22)	(457)	(466)
Deferred income taxes (Note 22)	<u>8</u>	<u>32</u>
Net income before discontinued operations	805	1,175
Discontinued operations	<u>-</u>	<u>-</u>
Net income	805	1,175
Non-controlling interest	<u>20</u>	<u>(135)</u>
Consolidated net income	<u>\$ 825</u>	<u>\$ 1,040</u>

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

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

“The Head of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D. 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.”


“Reyna Clementina Uribe Bruno, Head of the Area of Responsibilities of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D. (A), signs on behalf of the Head of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D., in conformity with Article 88, Paragraph 2 of the Internal Regulations of the Civil Service Department, and official letter 06/780/ 045 /2012 dated February 3, 2012.”



Ing. Héctor A. Rangel Domene
Chief Executive Officer



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



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



Lic. Arlette Ruiz Mendoza
Head of Internal Control Area in
Nacional Financiera, S.N.C. (A)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2010
(In millions of Mexican pesos)
(Notes 23 and 29)

	Paid in capital			Earned capital							Total stockholders equity		
	Capital stock	Contributions for future capital increases	Share subscription premium	Capital reserves	Results of prior years	Result from valuation of cash flow hedging instruments	Result from valuation of securities available for sale	Translation gain on foreign transactions	Effects of valuation on associated and affiliated companies	Result from holding nonmonetary assets - Due to valuation of long-term equity investment		Net income	Noncontrolling interest
Balances as of December 31, 2009	\$ 8,211	\$ 3,500	\$ 4,366	\$ 1,730	\$ (8,584)	\$ -	\$ (2)	\$ 121	\$ 3,080	\$ -	\$ 570	\$ 797	\$ 13,789
Movements inherent to the decisions of stockholders-													
Transfer of prior year's result	-	-	-	-	570	-	-	-	-	-	(570)	-	-
Contributions for future capital increases	-	1,650	-	-	-	-	-	-	-	-	-	-	1,650
	-	1,650	-	-	570	-	-	-	-	-	(570)	-	1,650
Movements inherent to recognition of comprehensive result-													
Net income	-	-	-	-	-	-	-	-	-	-	1,040	-	1,040
Result from valuation of associated and affiliated companies	-	-	-	-	-	-	-	-	(240)	-	-	-	(240)
Result from valuation of securities available for sale	-	-	-	-	-	-	14	-	-	-	-	-	14
Translation gain on foreign transactions	-	-	-	-	-	-	-	9	-	-	-	-	9
Result from holding nonmonetary assets for valuation of long-term equity investment	-	-	-	-	(13)	-	-	-	13	-	-	-	-
Deffered taxes effect	-	-	-	-	-	-	-	-	71	-	-	53	124
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(34)	(34)
Total movements inherent to recognition of comprehensive result	-	-	-	-	(13)	-	14	9	(156)	-	1,040	19	913
Balances as of December 31, 2010	8,211	5,150	4,366	1,730	(8,027)	-	12	130	2,924	-	1,040	816	16,352
Movements inherent to the decisions of stockholders-													
Transfer of prior year's result	-	-	-	-	1,040	-	-	-	-	-	(1,040)	-	-
Contributions for future capital increases	-	1,000	-	-	-	-	-	-	-	-	-	-	1,000
Capitalization of contributions for future capital increases	594	(5,150)	4,556	-	-	-	-	-	-	-	-	-	-
	594	(4,150)	4,556	-	1,040	-	-	-	-	-	(1,040)	-	1,000
Movements inherent to recognition of comprehensive result-													
Net income	-	-	-	-	-	-	-	-	-	-	825	-	825
Result from valuation of associated and affiliated companies	-	-	-	-	-	-	-	-	(31)	-	-	-	(31)
Result from valuation of securities available for sale	-	-	-	-	-	-	45	-	-	-	-	-	45
Translation gain on foreign transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
Result from holding nonmonetary assets for valuation of long-term equity investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Deffered taxes effect	-	-	-	-	-	-	-	-	-	-	-	158	158
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	158	158
Total movements inherent to recognition of comprehensive result	-	-	-	-	-	-	45	-	(31)	-	825	158	997
Balances as of December 31, 2011	\$ 8,805	\$ 1,000	\$ 8,922	\$ 1,730	\$ (6,987)	\$ -	\$ 57	\$ 130	\$ 2,893	\$ -	\$ 825	\$ 974	\$ 18,349

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

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

"The Head of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D. 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."


"Reyna Clementina Uribe Bruno, Head of the Area of Responsibilities of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D. (A), signs on behalf of the Head of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D., in conformity with Article 88, Paragraph 2 of the Internal Regulations of the Civil Service Department, and official letter 06/780/045/2012 dated February 3, 2012."



Ing. Héctor A. Rangel Domene
Chief Executive Officer



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



C. P. Sergio Miranda Flores
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Head of Internal Control Area in
Nacional Financiera, S.N.C. (A)

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010.

(In millions of Mexican pesos)

(Notes 1, 2, 3, 4 and 31)

	2011	2010
Net income	\$ 825	\$ 1,040
Adjustments derived for items not involving cash flows		
Allowance for loan losses	949	961
Allowance for doubtful accounts	10	21
Depreciation and amortization	39	68
Provisions	(990)	(1,964)
Incurred and deferred income taxes	(449)	(434)
Share in net income of associated companies	9	9
Reversal of excess of allowance for loan losses	(925)	(987)
Other	773	46
	<u>(584)</u>	<u>(2,280)</u>
Operating activities:		
Change in margin account	2	(2)
Change in investment in securities	(47,525)	(5,498)
Change in debtors from repurchase agreements	(123)	453
Change in derivatives (asset)	1,427	2,551
Change in loan portfolio (net)	7,321	(12,223)
Change in repossessed assets	-	2
Change in other operating assets	83	(400)
Change in deposits	(10,363)	5,426
Change in interbank loans and other loans from other entities	(7,393)	(6,063)
Change in creditors from repurchase agreements	53,477	11,750
Change in derivatives (liabilities)	(1,583)	(2,660)
Change in other operating liabilities	3,153	978
Payments of income taxes	(388)	-
Net cash used in operating activities	<u>(1,912)</u>	<u>(5,686)</u>
Investing activities:		
Proceeds on disposal of property, furniture and equipment	-	36
Payments for acquisition of property, furniture and equipment	(1)	(2)
Proceeds on disposal of subsidiaries and associated companies	50	1
Payments on disposal of subsidiaries and associated companies	(544)	(143)
Dividends received in cash	20	100
Net cash used in investing activities	<u>(475)</u>	<u>(8)</u>
Financing activities:		
Contributions for future capital increases	<u>1,000</u>	<u>1,650</u>
Net cash from financing activities	<u>1,000</u>	<u>1,650</u>


	2011	2010
Net decrease in cash and cash equivalents	<u>(1,146)</u>	<u>(5,284)</u>
Adjustment to cash flows for changes in exchange rate	2,192	(609)
Cash and cash equivalents at beginning of year	<u>16,697</u>	<u>22,590</u>
Cash and cash equivalents at end of year	<u>\$ 17,743</u>	<u>\$ 16,697</u>

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

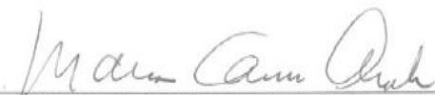
“These consolidated statements of cash flows were approved by the Board of Directors under the responsibility of the undersigned directors.”

“The Head of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D. 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.”

“Reyna Clementina Uribe Bruno, Head of the Area of Responsibilities of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D. (A), signs on behalf of the Head of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D., in conformity with Article 88, Paragraph 2 of the Internal Regulations of the Civil Service Department, and official letter 06/780/ 045 /2012 dated February 3, 2012.”



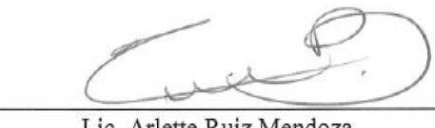
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See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010
(In millions of Mexican pesos)

1. Organization and objective

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

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

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

As of December 31, 2011, the operating structure of Institution abroad includes two branches: one in London, England and another in Gran Cayman; one representative office in Washington, D.C. within the US. Article 10 of Institution’s Organic Law establishes that the Federal Government will respond at all times for the transactions carried out by the Institution with individuals and corporations, with foreign institutions and for the deposits received in terms of such law.

2. Basis of presentation

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

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

Subsidiary	Ownership Percentage	
	2011	2010
Financing activities:		
Operadora de Fondos Nafinsa, S.A. de C.V.	99.99	99.99

	Ownership Percentage	
	2011	2010
Non-financing activities:		
Corporación Mexicana de Inversiones de Capital, S.A. de C.V.	56.49	57.59
Specific purpose entities (trusts):		
Direct public sale of securities program	100	100
ATISBOS	100	100
Fideicomiso 11480 Fondo para la Participación de Riesgos -	100	100
Additional services:		
Plaza Insurgentes Sur, S.A. de C.V.	99.99	99.99
Pissa Servicios Corporativos, S.A. de C.V. (in liquidation)	99.99	99.99

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

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

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

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

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

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

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

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

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

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

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

Trust for the direct public sale of securities program -

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

ATISBOS trust-

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

Trust 11480 Fund for Risk Equity -

In order to have the vehicles to comply with the institutional objectives related to providing access to formal financing for micro, small, and medium-sized Mexican companies (MiPyMes), Nacional Financiera implemented the Guarantee Program, whereby it shares the credit risk on the loans granted by financial intermediaries in accordance with the terms agreed to by the institutions.

The result for the year of this trust is \$1,013 and \$895, for 2011 and 2010, respectively; the effect of the main income of this trust is reflected under the Collected commissions and rates line item in the consolidated income statement. Note that such results do not include operating expenses given that the Institution, in its capacity as Trustor, provides support through human, information, and material resources because it does not have its own organizational structure.

- b. ***Comprehensive income*** - This is the modification of capital accounts during the year for concepts that are not distributions and movements of contributed capital. It consists of net income for the year plus other items that represent a gain for the same period, which are presented directly in the stockholders' equity without affecting the statements of operations.
- c. ***Reclassification of financial statements*** - Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of the 2011 consolidated financial statements.

3. **Principal differences compared to Mexican Financial Reporting Standards**

The consolidated financial statements have been prepared in accordance with the accounting criteria established by the Commission, which, in the following cases, differ from Mexican Financial Reporting Standards MFRS, individually referred to as Normas de Información Financiera or (NIFs), commonly applied in the preparation of financial statements for other types of unregulated companies:

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

- The accrual of interest earned on loan transactions is suspended when the outstanding loan balance is considered past due. Insofar as the loan continues to be in the past due portfolio, interest earned is recorded in memoranda accounts. When such past due interest is collected, it is recognized directly in the results for the year under “Interest income”. As of January 2010, the MFRS establish that yield or interest earned on accounts receivable derived from doubtful accounts must not be recognized in the financial statements because they must be considered as contingent assets.
- The Commission provides methodologies to determine the allowance for loan losses of certain portfolios based on the expected loss. MFRS require the creation of an allowance for doubtful accounts based on a study of their recoverability, without establishing a specific methodology.
- Reclassification from the categories of securities held to maturity or held for trading purposes to the category of securities available for sale is only permitted with the express authorization of the Commission. However, according to the Interpretation of Financial Reporting Standards No. 16 (INIF 16), express authorization to make these transfers is only required in certain unusual cases and when the financial instruments are no longer actively traded, have a defined maturity date and the entity has both the intention and capacity to hold them to maturity.
- The contribution or margin accounts handled (delivered and received) when financial derivatives are traded in unrecognized markets, are recorded under the heading of “Funds available” and “Sundry creditors and other accounts payable”, respectively, instead of being presented under the heading of “Derivatives”, as established in MFRS.
- The current and deferred Employee Statutory Profit Sharing (PTU) is presented in the statement of operations under the heading of “Administrative and promotion expenses”.
- Up to December 31, 2010, segregated embedded derivatives were presented together with the host contract, instead of separately as required by the MFRS.
- On October 25, 2010 and October 5, 2011, the Commission amended the methodologies applicable to the creation of allowances for loan losses of non-revolving consumer and mortgage loan portfolios payable by States and Municipalities, respectively, based on expected loss models which became effective in 2011. The Commission provides that the initial accumulated financial effect derived from the application of the rating methodologies must be recorded directly in stockholders’ equity under the “Results of prior years” line item. Pursuant to NIF B-1 “Accounting changes and error corrections”, any changes in accounting estimates must be prospectively applied in the results for the year.
- The accounting criteria prescribed by the Commission establish that, in fair value hedges, the adjustment to the book value of the hedged item valuation must be presented in a separate balance sheet line item instead of with the primary hedged position, as required by MFRS.
- The non-recoverable deferred tax asset allowance is calculated and recorded based on financial and tax projections prepared by management with a short-term horizon and exclusively for purposes of recognizing the deferred tax asset with a high likelihood of recovery, for which purposes it only considers that generated by the effect of the tax credit on the undeducted allowances for loan losses that are expected to materialize and when such differences are temporary. Pursuant to MFRS, the deferred tax asset is recognized for all the temporary differences resulting from comparing the accounting and tax balances expected to be recovered, without considering the recovery term.

- Under the accounting criteria issued by the Commission, the Counterpart risk is not considered when valuing Over-the-Counter (“OTC”) derivative financial instruments as required by MFRS.
- For loan portfolio acquisitions, the accounting criteria prescribed by the Commission establish that the nominal value of the portfolio acquired must be recorded under the loan portfolio line item, and the resulting difference when the contractual value of the portfolio is lower than the acquisition price, in results for the year for up to the amount of any allowance for loan losses created, and the excess as a deferred loan which will be amortized when the respective collection is made in accordance with its percentage of the contractual value. When the acquisition price is greater than the contractual value of the portfolio, a deferred charge will be recorded and amortized when the respective collection is made in accordance with its percentage of the contractual value of the loan. Pursuant to MFRS, the portfolio must be recognized at its fair value on the acquisition date, i.e., at the purchase price.
- The Institution presents the statement of cash flows in accordance with the accounting criteria established by the Commission, which do not present the heading of surplus cash to be applied in financing activities, which must be presented under MFRS, and in the net result, the allowance for loan losses and the allowance for bad debts or doubtful accounts is increased, which is not required by MFRS.

4. **Summary of significant accounting policies**

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

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

Accounting changes

Changes in accounting from the Commission –

Changes during 2011.

During 2011, certain modifications to the accounting for credit institutions were published in the Official Gazette of the Federation

These changes are intended to achieve consistency with MFRS and International Financial Reporting Standards (IFRS), and to provide more complete financial information, with more and better disclosures and primarily the issue of investments in securities, transactions in financial derivatives and loan portfolio and the presentation of financial statements.

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

- The submission of the results of a comprehensive results are removed from "Other products" and "Other expenses" and now presented under the heading of "Other income (expense) of the operation" within the results of the operation.

- The accounting standard regarding the treatment of collateral in derivative transactions unrecognized markets (Over the Counter) are clarified to be accounted for separately from margin accounts, registering an account receivable or payable as appropriate.
- The valuation of foreign currency-denominated embedded derivatives included in contracts is not established when such contracts require payments in a currency that is commonly used to purchase or sell non-financial items in the economic environment in which the transaction takes place (for example, a stable and liquid currency commonly used in foreign trade or local transactions).
- The host contract and the embedded derivative are presented separately for hybrid financial instruments. Previously, they had to be presented together. The embedded derivative must now be presented under the “Derivatives” line item.
- Pursuant to MFRS, the requirement of adding the allowance for loan losses to the net result in the statement of cash flows is eliminated.
- Accounting criterion B-6 “Loan portfolio” of the General Provisions applicable to Credit Institutions is amended, mainly to establish the following:
 - The treatment for loan restructuring and renewal, as well as the respective commissions and costs.
 - The addition of loan restructuring commissions and initial loan granting commissions subject to deferral during the new term of the restructured loan.
 - Similarly, commissions collected and paid must be presented net of the related costs and expenses.
 - The requirements that must be fulfilled to consider that there is sustained payment by the borrower.
 - Any deferred charge generated by the portfolio acquisition must be presented under “Other assets”. Similarly, the reduced price call option, as well as any excess generated by portfolio acquisitions, must be presented under “Deferred loans” and advanced collection.
 - When a line of credit is cancelled, the outstanding balance on commissions collected on the lines of credit that are offset before the 12-month period is over, will be recognized directly in the results for the year under “Collected commissions and rates”.

Changes in NIFs issued by the the Mexican Board for the Research and Development of Financial Reporting Standards (“CINIF”) adopted by the Institution

The following accounting pronouncements were issued by the CINIF during 2010 and became effective January 1, 2011:

NIF B-5, *Financial Information by Segments*, establishes the managerial approach to disclose financial information by segments, requiring the separate disclosure of interest income, interest expense and liabilities; and information on products, services, geographical areas and main customers and suppliers, as opposed to Bulletin B-5, which required that information disclosed be classified by economic segments, geographical areas or homogeneous groups of customers. .

NIF C-5, Prepaid Expenses, establishes that their basic feature is that they do not transfer to the company the risks and rewards inherent in the goods and services to be acquired or received. It also requires that impairment be recognized when such payments lose their ability to generate such benefits and how they should be presented in the balance sheet, as current or long-term assets.

NIF C-6, Property, Plant and Equipment, incorporates the treatment of exchange of assets pursuant to their commercial substance. It includes the basis to determine the residual value of a component, considering current amounts. It eliminates the rule of assigning a value based on an appraisal of property, plant and equipment acquired free of charge or at an inappropriate cost. It also sets the rule to continue to depreciate a component when it is not in use, except when depreciation methods are based on activity.

Improvements to Mexican Financial Reporting Standards 2011. - The main improvements that generate accounting changes are as follows:

- a. Improvements to MFRS that generates accounting changes, which are modifications that generate changes in accounting valuation, presentation or disclosure in the financial statements. MFRS with this type of improvements are:

NIF B-1, Accounting Changes and Correction of Errors
NIF B-2, Statement of Cash Flows
Bulletin C-3, Accounts Receivable
NIF C-10, Derivative Financial Instruments and Hedging Transactions
NIF C-13, Related Parties

- b. Improvements to MFRS that do not generate accounting changes, which are modifications to make clarifications to them, to help establish a clearer regulatory approach and understandable, because details do not generate accounting changes in the financial statements. MFRS with this type of improvements are:

NIF C-2, Financial Instruments
NIF C9, Liabilities, reserves, assets and contingent liabilities and commitments
NIF C10, Derivative Financial Instruments and Hedging Transactions
NIF D-4, Income Taxes

Summary of significant accounting policies

On October 25, 2010 and October 5, 2011, the Commission issued rulings amending the “General Provisions Applicable to Credit Institutions”, whereby it amended the methodologies applicable to the non-revolving consumer and mortgage loan portfolio rating, as well as the rating of loans payable by States and Municipalities, for purposes of changing the current model for the creation of allowances for loan losses from an incurred loss to an expected loss base. The amendments became effective on September 1, 2011 and March 1, 2011, respectively.

The Commission provided that the initial accumulated financial effect derived from the application of the rating methodologies for non-revolving consumer and mortgage loan portfolios and loans payable by States and Municipalities must be recognized in stockholders’ equity under the “Results of prior years” line item no later than on March 31, 2011 and September 30, 2011, respectively. This change did not have an initial effect on the results of prior years.

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

- a. ***Recognition of the effects of inflation in financial information*** The annual cumulative inflation of the three years prior to December 31, 2011 and 2010 is 14.40% and 13.92%, respectively. Accordingly, the economic environment of both years is classified as non-inflationary. Accordingly, the effects of inflation are not recognized in the financial statements. Annual inflation rates for the years ended December 31, 2011 and 2010 were 3.65% and 4.29%, respectively.

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

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

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

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

- c. **Margin accounts** - Guarantee deposits for financial derivatives transactions in recognized markets are recorded at face value. Guarantee deposits are intended to achieve compliance with obligations related to derivatives executed in recognized markets and refer to the initial margin and to subsequent contributions or withdrawals made during the effective term of the respective contracts.
- d. **Valuation of foreign currencies** The Institution maintains accounting records for each type of foreign currencies in which it has assets and liabilities, which are valued at the exchange rate for the settlement of foreign currency obligations as determined by Banco de Mexico (BANXICO).
- e. **Investment in Securities** - The registration and valuation of investment securities are subject to the following guidelines:

Trading securities:

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

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

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

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

Securities available for sale:

Debt securities and net equity instruments not intended to obtain gains derived from the price differences resulting from short-term purchase sale transactions and, for debt securities, those without the intent or ability to hold them until maturity, which therefore represent a residual category, i.e., they are acquired with an intention different from negotiable securities or securities held to maturity, respectively.

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

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

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

Held to maturity:

Debt securities with fixed or determinable payments and fixed maturity (which means that a contract defines the amounts and dates of payments to the holding entity), which the Institution has the intention and ability to hold until maturity.

At the time of acquisition are recognized initially at fair value, which corresponds to the agreed price, affecting the results for the accrual of interest. At the time of disposal, records income by purchase from the difference between the net realizable value and book value.

The transaction costs on the acquisition of the securities are recognized as follows, depending on the category under which they are classified:

- a) Trading securities: In results of the period the date of acquisition.
 - b) Securities available for sale and securities held to maturity: Initially as part of the investment.
- f. ***Impairment in the value of a credit instrument*** - The Institution must evaluate whether there is objective evidence that a credit instrument is impaired as of the balance sheet date.

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

- g. ***Repurchase transactions*** - Repurchase transactions are those in which the buying party acquires, for a sum of money, the ownership of securities and undertakes to transfer the ownership of similar securities to the selling party within the agreed-upon term and upon payment of the same price plus a premium. Unless otherwise agreed, the premium is for the buying party. For legal purposes, repurchase transactions are considered as a sale in which an agreement to repurchase the transferred financial assets is executed. Notwithstanding, the economic substance of repurchase transactions is that of guaranteed financing in which the buying party provides cash as financing in exchange for obtaining financial assets that serve as protection in the event of default. The repurchase transactions are recorded as indicated below:

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

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

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

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

Collateral granted and received other than cash in repurchase transactions

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

- 1) The purchasing party recognizes the collateral received in memorandum accounts. The selling party reclassifies the financial asset in its balance sheet, presenting it as restricted assets, for which purpose, the valuation, presentation and disclosure rules are followed in accordance with the respective accounting treatment established for credit institutions.
- 2) When it sells the collateral, the purchasing party recognizes the resources from the sale, as well as an account payable for the obligation to repay the collateral to the selling party (measured initially at the fair value of the collateral), valued at fair value (any difference between the price received and the fair value of the account payable is recognized in results for the year).
- 3) If the selling party does not comply with the contract conditions established and is therefore unable to claim the collateral, it eliminates it from its balance sheet at fair value against the account payable; by the same token, the purchasing party recognizes the entry of the collateral in its balance sheet, depending on the type of good in question, against the account receivable, or, as the case may be, if it had already sold the collateral, it eliminates the account payable related to the obligation to repay the collateral to the selling party.
- 4) The selling party maintains the collateral in its balance sheet and the buying party only recognizes it in memorandum accounts, except when the risks, benefits and control of the collateral have been transferred due to noncompliance by the selling party.
- 5) The memorandum accounts recognized for collateral received by the buying party are canceled when: i) the repurchase transaction reaches maturity, ii) there is noncompliance by the selling party or, iii) the buying party exercises the right to sell or pledge the collateral received.

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

- Hedging transactions when derivative financial instruments are traded in order to offset one or various financial risks generated by a transaction or set of transactions associated with a primary position.
- Trading operations when the Institution maintains a derivative financial instrument with the original intent to obtain gains based on changes in its fair value.

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

- 1) Fair value hedge: This consists of hedging exposure to changes in fair value of an asset (or portion thereof) or a liability (or portion thereof) recognized in the balance sheet, an unrecognized firm commitment to buy or sell an asset at a fixed price; or a portfolio of assets, liabilities or firm commitments with similar risk characteristics and that can affect the result of the period
- 2) Cash flow hedge: This consists of hedging exposure to the variability of cash flows from a forecast transaction which (i) is attributable to a specific risk associated with a recognized asset or liability (such as all or some of the future payments of interest on a credit or debt instrument at a variable interest rate), or with a highly probable event which (ii) may affect the result of the period.
- 3) Hedging of a net investment in a foreign transaction.

Foreign currency hedge:

- a. The gain or loss on valuation of the hedge instrument at its fair value (for a hedge derivative) or the foreign currency component valued in accordance with NIF B-15 (for a non-derivative hedge instrument) should be recognized in income of the period in which it occurs; and
- b. The result from valuation of the hedged item attributable to the risk covered must adjust the book value of such item and be recognized in results of the period. This applies even if the hedged item were valued at cost (for example, when the interest rate risk is covered on a credit portfolio that is valued at amortized cost). The recognition of the result from valuation attributable to the risk hedged in the results of the period applies even if the item hedged is an investment in securities classified as available for sale.

A cash flow hedge transaction must be recognized as follows:

- a. The portion of the gain or loss on the hedge instrument that is effective in the hedge must be recognized in stockholders' equity as part of the other comprehensive income items;.
 - b. The portion of the gain or loss on the hedge instrument that is ineffective in the hedge must be recognized directly in results of the period.
- i. **Foreign currency transactions** - Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. The assets and liabilities in foreign currencies are expressed in the national currency using the exchange rate published of Banxico in the DOF the banking day following the date of valuation.
 - j. **Current portfolio** - Loans granted are recorded as an asset as of the date on which funds are drawn down and interest is aggregated as accrued, in accordance with the loan payment schedule.

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

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

Past-due Portfolio

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

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

Impaired portfolio

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

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

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

- Once 90 days have elapsed after a payment is overdue, the related credit balance is considered overdue and collections are made through legal proceedings, whether directly in the case of direct loans, or through financial intermediaries in the case of discounted credits.

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

Second-tier operations:

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

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

- Type “B” Financial Intermediaries; correspond to all NBFIs 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 NBFIs should comply with the intermediation of operations involving funds from the Institution.

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

First-tier operations:

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

Guarantee program operations:

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

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

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

- Evaluating each borrower, in the case of the consumer lending portfolio, taking into account various quantitative elements related to the risk of borrower nonperformance and simultaneously obtaining a rating for each loan considering, if applicable, the value of the guarantees associated with such loans, in order to estimate a probable loss on each loan;
- Stratifying the portfolio in accordance with delinquency in payments including, in the case of the mortgage housing lending portfolio, the likelihood of nonperformance and the value of the guarantee of the loan, so that the amount of necessary preventive reserves can be determined in each stratum of the portfolio based thereon;
- Analyzing the creditworthiness of its debtors, in the case of the commercial lending portfolio, and estimating possible losses so that the amount of necessary preventive reserves can be determined based thereon;
- Using internal methodologies, in accordance with the aforementioned provisions, drawn up by credit institutions themselves when they certify that they have met the requirements for the purpose determined by the Commission.

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

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

- l. ***Other receivable, net-*** The amounts relative to the Institution's sundry debtors are provisioned with a charge to results of the year regardless of the probability of recovery, within the 90 or 60 days following their initial recording, depending on whether the balances are identified or not, respectively.
- m. ***Property, furniture and equipment, net*** - Property, the cost of installation and upgrades are originally recorded at acquisition cost. Until 2007, buildings were updated using a factor derived from the value of the investment unit ("UDI"), whereas furniture and fixtures were noted at their cost of acquisition. Depreciation and relative amortization are calculated based on the acquisition cost or the updated cost through this date, a percentage determined based on the estimated economic life.
- n. ***Foreclosed and repossessed property and property received as payment in kind*** - Foreclosed and repossessed property is stated at the lower of either the awarded cost or the net realizable value.

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

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

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

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

- o. **Income taxes** - Income tax (“ISR”) and the Business Flat Tax (“IETU”) are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial and fiscal projections, the Institution determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.
- p. **Other investments** - Those permanent investments made in trusts and in shares of companies in which there is no control, combined control or significant influence are initially recorded at acquisition cost. They are valued using the equity method considering the financial information related to such entity; when it is practically impossible to obtain financial information on the entities, the investment is adjusted to zero value or acquisition cost. The adjustment procedure is selected based on the prudential treatment of applying specific rules contained in NIFs.
- q. **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.
- r. **Interbank loans and those from other entities** - Liabilities from interbank loans are recorded based on the contractual value of the obligation. Accrued interest is recognized directly in income of the Institution.
- s. **Direct employee benefits** - These are valued in proportion to the services rendered, considering the current wages and the liability is recognized as they are accrued. This item includes mainly PTU payable, remunerated absences, such as vacations and vacation premium, and incentives.
- t. **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:

Severance payments -

Severance payments, which are made to personnel who retire under certain circumstances, are recorded as they are accrued, calculated by independent actuaries based on the projected unit credit method using normal interest rates.

Seniority premiums -

Seniority premiums are payable to employees that have completed fifteen or more years of service of personnel. Toward that end, there is a provision that covers the actuarial present value of benefit obligation, which was determined in accordance with actuarial calculations with amounts as of December 31, 2011 and 2010.

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

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

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

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

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

PTU is determined based on the taxable profit as established in article 10, section I of the Income Tax Law. For the years ended 2011 and 2010, PTU was \$142 and \$89, respectively.

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

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

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

The commissions collected to initially grant loans are recorded as a deferred credit, which is applied in the same way as interest income by the straight line method during the loan period.

- x. **Brokerage commissions** - Given the intermediary function performed by the Institution as liaison between the lender of financing and the borrower, the Institution obtains a commission for arranging the credits in the markets. Such commission is recorded in the statement of operations when it is generated under the heading of "Commission and fee income".
- y. **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.
- z. **Trusts** - The operations in which the Institution acts as Trustee are recorded and controlled in memorandum accounts. According to the ISR law, as Trustee, the Institution is responsible for the compliance of tax obligations derived from the trusts performing business activities up to the amount of the equity in trust.
- aa. **Foreign currency transactions** - Monetary and nonmonetary assets and liabilities, as well as statements of operations for foreign subsidiaries, are translated at the closing exchange rate at the valuation date. The pertinent financial statements were not restated since the Institution operated in a non-inflationary environment during 2011 and 2010.
- bb. **Settlement accounts** - For purposes of their presentation in the financial information, the Institution offsets asset and liability positions when they are similar in terms of type, counterparty, class, deadline and terms, and they are recognized as an asset if a debit balance is generated or as a liability if it is a credit balance.
- cc. **Impairment of long-lived assets in use** - The Institution reviews the book value of long-lived assets in use, in the presence of any indicator of impairment whereby the book value might not be recoverable, considering the greater of the present value of future net cash flows and the net selling price, in the event of their eventual disposal. Impairment is recorded if the book value exceeds the greater of the above-mentioned values.

As of December 31, 2011, the Institution's assets do not present any indicators of impairment.

5. Foreign currency position

As of December 31, 2011 and 2010, the foreign currency position into Mexican pesos, includes controlled assets in memorandum accounts for \$3,766 and \$5,804, respectively, and are comprised as follows:

	2011	2010
Assets	\$ 25,556	\$ 28,729
Liabilities	<u>25,552</u>	<u>28,704</u>
Net long position	<u>\$ 4</u>	<u>\$ 25</u>

The assets and liabilities in foreign currencies are as follows:

	Assets	Liabilities	Net 2011	Net 2010
U.S. dollars	\$ 25,145	\$ 25,188	\$ (43)	\$ (21)
Japanese yen	2		2	3
Euros	290	290	-	2
Sterling pounds	45		45	41
Special revolving rights	<u>74</u>	<u>74</u>	<u>-</u>	<u>-</u>
	<u>\$ 25,556</u>	<u>\$ 25,552</u>	<u>\$ 4</u>	<u>\$ 25</u>

As of December 31, 2011 and 2010, the exchange rates of the Mexican peso relative to the value of the U.S dollar were \$13.9476 and \$12.3496, 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, 2011 and 2010, cash and cash equivalents consist of the following:

	2011	2010
Deposits in BANXICO	\$ 11,746	\$ 11,745
Deposits in domestic and foreign banks	4,714	4,784
Call money deposits	1,273	163
Other liquid assets	4	4
Cash and cash equivalents in subsidiaries	<u>6</u>	<u>1</u>
	<u>\$ 17,743</u>	<u>\$ 16,697</u>

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

As of December 31, 2011 and 2010, deposits in domestic and foreign banks included \$5,366 and \$1,914, respectively, by concept of currency spot sales.

As of December 31, 2011, the Institution maintains call money deposits for a maximum term of three banking days, amounting \$1,273 of which were \$1,237 contracted at an average rate of 4.5% in Mexican pesos, and \$36 at an average rate of 0.1% in foreign currency.

As of December 31, 2011, the Institution maintains call money deposits for a maximum term of three banking days, amounting \$163 such call money deposits were contracted at an average rate of 0.63% in foreign currency.

Cash and cash equivalents in foreign currencies as of December 31, 2011 and 2010, are summarized as shown below:

	2011		
	Amount	Exchange rate	Equivalent in national currency
Euros	2	\$ 18.103990	\$ 42
U.S. dollars	334	13.947600	4,662
Sterling pounds	2	21.675970	43
Japanese yen	5	0.180760	<u>1</u>
			<u>\$ 4,748</u>
	2010		
	Amount	Exchange rate	Equivalent in national currency
Euros	2	\$ 16.563280	\$ 39
U.S. dollars	231	12.349600	2,857
Sterling pounds	2	19.334530	39
Japanese yen	12	0.152520	<u>2</u>
			<u>\$ 2,937</u>

As of December 31, 2011 and 2010, the concept of other liquid assets includes gold coins amounting to a value of \$3, which are stated at market value

7. **Investments in securities**

As of December 31, 2011 and 2010, investments in securities consist of the following:

Trading securities:

Instrument	2011			2010	
	Acquisition cost	Accrued interest	Valuation	Book value	Book value
Development Fund Shares for the securities Market (FDMV)	\$ 263	\$ -	\$ (11)	\$ 252	\$ 831
Bondes	5,003	8	11	5,022	4,936
Stock certificates	3,527	15	22	3,564	2,307
Deposits certificates					50
Ipabonds	2,317	27	5	2,349	2,179
<i>Sale of securities with value date</i>					
Fixed rate bonds	-	-	-	-	(88)
Segregable stock certificates					(50)
Ipabonos	(299)	-	-	(299)	(747)
Udibonos	(202)	-	-	(202)	-
<i>Restricted financial instruments:</i>					
Bondes	66,688	14	(26)	66,676	48,256
Fixed Bonds					1,862
Stock certificates	15			15	
Ipabonos	102,126	138	20	102,284	46,466
Udibonos					2,338
Promissories with liquid at yield maturity	1,612	-	-	1,612	6,839
<i>Financial instruments in guarantee:</i>					
Bondes					-
Ipabonds	479	-	-	479	213
Investment in subsidiary	<u>14</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
	<u>\$ 181,543</u>	<u>\$ 202</u>	<u>\$ 21</u>	<u>\$ 181,766</u>	<u>\$ 115,406</u>

As of December 31, 2011, the maturities of these investments are as follows:

Instrument	Less than 1 month	Between one and three months	Over 3 months	No maturity	Total
<i>Development Fund Shares for the securities Market</i>					
(FDMV)	\$ -	\$ -	\$ -	\$ 263	\$ 263
Bondes			5,003		5,003
Segregable stock certificates	-	-	3,527	-	3,527
Deposits certificates					
Ipabonds	-	-	2,317	-	2,317
<i>Sale of securities with value date:</i>					
Fixed rate bonds					
Segregable stock certificates	(299)	-	-	-	(299)
Ipabonds	(202)	-	-	-	(202)
<i>Restricted financial instruments:</i>					
Bondes	66,688	-	-	-	66,688
Fixed rate bonds					
Ipabonds					
Udibonds	15	-	-	-	15
Bondes	98,776	3,350	-	-	102,126
Fixed rate bonds					
Promissories with liquid yield at maturity	1,612	-	-	-	1,612
<i>Financial instruments held as collateral:</i>					
Ipabonds	-	-	479	-	479
Investments from subsidiaries	14	-	-	-	14
	<u>\$ 166,604</u>	<u>\$ 3,350</u>	<u>\$ 11,326</u>	<u>\$ 263</u>	<u>\$ 181,543</u>
<i>Available for sale securities:</i>					
	2011				2010
Instrument	Acquisition cost	Accrued interest	Valuation	Book value	Book value
Sovereign debt	\$ 647	\$ 12	\$ 36	\$ 695	\$ 159
Obligations and other titles	<u>1,488</u>	<u>24</u>	<u>21</u>	<u>1,533</u>	<u>129</u>
	<u>\$ 2,135</u>	<u>\$ 36</u>	<u>\$ 57</u>	<u>\$ 2,228</u>	<u>\$ 288</u>

The periods to which these investments are agreed to December 31, 2011 at cost of acquisition, are as follows:

Instrument	Over 1 year
Sovereign debt	\$ 647
Obligations and other titles	<u>1,488</u>
	<u>\$ 2,135</u>

Held to maturity securities:

Medium and long-term securities -

Instruments	2011			2010
	Acquisition cost	Accrued interest	Book value	Book value
Prides convertible bonds	\$ 4	\$ -	\$ 4	\$ 3
Stock certificates	1,131	26	1,157	919
Segregable stock certificates	2,271	273	2,544	-
Deposit certificates	1,809	5	1,814	1,815
Sovereign debt	736	21	757	819
Debentures and other securities	-	-	-	380
Udibonos	286	30	316	10,560
<i>Restricted financial instruments:</i>				
Fixed rate bonds	-	-	-	8,890
Segregable stock certificates	6,834	828	7,662	10,009
Udibonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>397</u>
Total	<u>\$ 13,071</u>	<u>\$ 1,183</u>	<u>\$ 14,254</u>	<u>\$ 33,792</u>

The periods to which these investments are agreed to December 31, 2011 at cost of acquisition, are as follows:

Instrument	Less than a year	More than a year	No Fixed Term	Total
Prides convertible bonds	\$ -	\$ 4	\$ -	\$ 4
Stock certificates	69	1,062	-	1,131
Segregable stock certificates	-	2,271	-	2,271
Deposit certificates	-	1,809	-	1,809
Sovereign debt	-	736	-	736
Udibonos	-	286	-	286
<i>Restricted financial instruments:</i>				
Segregable stock certificates	<u>6,834</u>	<u>-</u>	<u>-</u>	<u>6,834</u>
Totales	<u>\$ 6,903</u>	<u>\$ 6,168</u>	<u>\$ -</u>	<u>\$ 13,071</u>

For 2011, interest income for investments in securities amounted to \$1,334, the surplus on valuation amounted to \$(506) and the gain on trading securities amounted to \$679.

8. Repurchase and resale transactions

At December 31, 2011 and 2010, the repurchase and resale transactions reported by the Institution are detailed as follows:

Instrument	2011			2010		
	Received as collateral.	Collateral received and sold or pledged	Instrument	Received as collateral.	Collateral received and sold or pledged	Instrument
<i>Government securities</i>						
Cetes	\$ 5,197	\$ 5,193	\$ 4	\$ -	\$ -	\$ -
Stock certificates	1,650	1,531	119	1,750	1,750	-
Bondes	24,137	24,137	-	6,210	6,210	-
Fixed rate bonds	11,940	11,940	-	19,554	19,554	-
Ipabonds	28,465	28,465	-	5,920	5,920	-
Segregable stock certificates	-	-	-	1,726	1,726	-
	<u>71,389</u>	<u>71,266</u>	<u>123</u>	<u>35,160</u>	<u>35,160</u>	<u>-</u>
<i>Banking securities:</i>						
Promissories with liquid yield at maturity	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Debentures and other securities</i>						
Stock certificates	701	701	-	350	350	-
	<u>701</u>	<u>701</u>	<u>-</u>	<u>350</u>	<u>350</u>	<u>-</u>
	<u>\$ 72,090</u>	<u>\$ 71,967</u>	<u>\$ 123</u>	<u>\$ 35,510</u>	<u>\$ 35,510</u>	<u>\$ -</u>

Instrument	2011	2010
	Creditors from repurchase agreements	Creditors from repurchase agreements
<i>Government securities</i>		
Bondes	\$ 66,702	\$ 48,157
Fixed rate bonds	-	10,844
Segregable stock certificates	7,811	9,903
Udibonds	-	2,740
Ipabonds	<u>102,255</u>	<u>46,433</u>
Total	<u>176,768</u>	<u>118,077</u>
<i>Banking securities</i>		
Stock certificates	15	-
Promissories with liquid yield at maturity	<u>1,613</u>	<u>6,842</u>
	<u>1,628</u>	<u>6,842</u>
	<u>\$ 178,396</u>	<u>\$ 124,919</u>

As of December 31, 2011, the result of the interest income and expense was \$10,896 and \$9,399, respectively, in accordance with the Commission and are recorded in the statement of income.

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

9. **Derivatives**

At December 31, 2011 and 2010, the Institution holding the derivative transactions as described below:

For trading purposes:

		<u>2011</u>			
		<u>Asset balance</u>	<u>Liability balance</u>	<u>Debit balance</u>	<u>Credit balance</u>
Long-term futures		\$ -	\$ -	\$ -	\$ -
Short-term futures		3,712	3,712	-	-
Valuation of futures		<u>52</u>	<u>(7)</u>	<u>59</u>	<u>-</u>
		<u>3,764</u>	<u>3,705</u>	<u>59</u>	<u>-</u>
Swaps		<u>5,094</u>	<u>5,117</u>	<u>-</u>	<u>23</u>
	Total	<u>\$ 8,858</u>	<u>\$ 8,822</u>	<u>\$ 59</u>	<u>\$ 23</u>

For hedging purposes:

		<u>2011</u>			
		<u>Asset balance</u>	<u>Liability balance</u>	<u>Debit balance</u>	<u>Credit balance</u>
Swaps		<u>\$ 2,650</u>	<u>\$ 2,324</u>	<u>\$ 326</u>	<u>\$ -</u>

For trading purposes:

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

For hedging purposes:

		<u>2010</u>			
		<u>Asset balance</u>	<u>Liability balance</u>	<u>Debit balance</u>	<u>Credit balance</u>
Swaps		<u>\$ 2,221</u>	<u>\$ 1,812</u>	<u>\$ 409</u>	<u>\$ -</u>

Futures and forwards:*For trading purposes:*

		2011				
Operation	Underlying	<u>Sale</u>		<u>Purchase</u>		Book balance
		Contract value	Receivable	Contract value	Payable	
Futures	IPC	\$ -	\$ -	\$ -	\$ -	\$ -
Forwards	U.S.					
contracts	Dollars	<u>3,712</u>	<u>3,763</u>	<u>3,712</u>	<u>3,704</u>	<u>59</u>
Total		<u>\$ 3,712</u>	<u>\$ 3,763</u>	<u>\$ 3,712</u>	<u>\$ 3,704</u>	<u>\$ 59</u>
		2010				
Operation	Underlying	<u>Sale</u>		<u>Purchase</u>		Receivable
		Contract value	Receivable	Contract value	Contract value	
Futures	IPC	\$ 39	\$ 39	\$ 41	\$ 41	\$ (2)
Forwards	U.S.					
contracts	Dollars	<u>5,803</u>	<u>5,803</u>	<u>5,825</u>	<u>5,825</u>	<u>(22)</u>
Total		<u>\$ 5,842</u>	<u>\$ 5,842</u>	<u>\$ 5,866</u>	<u>\$ 5,866</u>	<u>\$ (24)</u>

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

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

Swaps:*For trading purposes:*

		2011			
Underlying		Contract value	Receivable	Payable	Net position
		pesos			
Interest rate		<u>\$ 13,600</u>	<u>\$ 5,094</u>	<u>\$ 5,117</u>	<u>\$ (23)</u>
		2010			
Underlying		Contract value	Receivable	Payable	Net position
		pesos			
Interest rate		<u>\$ 12,960</u>	<u>\$ 5,041</u>	<u>\$ 5,061</u>	<u>\$ (20)</u>

For hedging purposes:

		2011			
Underlying	Contract value pesos	Receivable	Payable	Net position	
Interest rate	\$ 14,921	\$ 2,650	\$ 2,324	\$ 326	

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

Options:

For hedging purposes:

		2011			
Underlying	Contract value pesos	Receivable	Payable	Net position	
Interest rate	\$ 5	\$ -	\$ -	\$ -	

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

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

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

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

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

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

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

As of December 31, 2011 and 2010, the efficiencies/inefficiencies recorded as a result of Criteria B-5 “Derivados y Operaciones de Cobertura” of the Commission, are as follows:

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

Underlying item	2011 Amount valuation	2010 Amount valuation
Interest rate		
Bankers' acceptances	\$ (4)	\$ 36
Stock certificates	35	10
Deposit certificates	7	-
Notes with interest payable at maturity	<u>-</u>	<u>7</u>
	<u>\$ 38</u>	<u>\$ 53</u>

At December 31, 2011 and 2010, the institution has contracted swaps Fair value hedges

Trading Swaps (application to income):

	2011	2010
Interest rate	<u>\$ (22)</u>	<u>\$ (20)</u>

The adjustments to book value for interest rate risk hedge financial derivatives transactions with financial assets and liabilities, due to the application of the Criteria B-5 “Derivatives and hedge transactions”, issued by the Commission, as of December 31, 2011 and 2010, are detailed below:

Concept	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Bank acceptances	\$ -	\$ 183	\$ -	\$ 158
Stock certificates	132	(9)	-	(4)
Deposit certificates	-	-	-	(3)
Credit	<u>111</u>	<u>-</u>	<u>102</u>	<u>-</u>
Total	<u>\$ 243</u>	<u>\$ 174</u>	<u>\$ 102</u>	<u>\$ 151</u>

Administration of policies for using financial derivatives

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

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

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

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

Authorization processes and levels

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

- a. The specific limits for discretionary risks, when it has powers delegated from the Board of Directors to do so, as well as tolerance levels in relation to nondiscretionary risks.
- b. The methodology and procedures to identify, measure, oversee, limit, control, report and disclose the different types of risk to which the Institution is exposed, as well as their eventual modifications.
- c. The models, parameters and scenarios which must be used to carry out the evaluation, measurement and control of risks proposed by the Comprehensive Risk Management Unit, which must be in conformity with the technology used by the Institution.
- d. The methodologies for the identification, valuation, measurement and control of the risks of the new operations, products and services which the Institution intends to offer in the market.
- e. The corrective measures proposed by the Comprehensive Risk Management Unit
- f. The assessment of the aspects of Comprehensive Risk Management referred to in article 77 of the Sole Circular for its presentation to the Board of Directors and the Commission.
- g. The Comprehensive Risk Management Manuals, based on the objectives, guidelines and policies established by the Board of Directors, as referred to in article 15, final paragraph of the Prudential provisions for comprehensive risk Management applicable to credit institutions

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

Independent reviews

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

Generic description of valuation techniques

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

Valuation methodology

1. Trading purposes- There is a structure of operational and regulatory manuals which establish the valuation methodologies used.
2. Hedging purposes- There is a structure of operational and regulatory manuals which establish the valuation methodologies used.
3. Reference variables- Those parameters used by agreement as part of market practices are applied (i.e., rates, exchange rates, prices, etc.)
4. Valuation frequency- The valuation of position instruments is made on a daily basis.

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

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

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

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

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

- Tequila Effect (1994)
- Russian Crisis (1998)
- Twin Towers (2001)
- BMV Effect (2002)
- Effect on real rates (2004)
- Effect on mortgage Crisis (2008)

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

1. The valuation of the investment portfolio on day t
2. The VaR (Value at Risk) of the investment portfolio with a one-day time horizon and a confidence level of 97.5% (VaR).
3. The valuation of the portfolio with the new risk factors of day t+1.

During 2011, the number of closed financial derivatives that agreed and matured, was as follows:

Instrument	Operations N°		Nocional	
	Negotiation	Coverage	Negotiation	Coverage
Future IPC ^{1/}	24	-	-	-
Rate Options	-	-	-	-
Forwards (Arbitration) ^{2/}	36	-	1,145	-
Swaps ^{3/}	3	7	150	1,081

1/ Nocional refers to number of contracts: 149 to Buy and 150 to Sell.

2/ Purchase Operations. Nocional in USD.

3/ Notional amount operated during the month

The application of the standard B-5 during December 2011 on the valuation of hedge derivative transactions involved a net income of \$ 96.5 in the results and had no impact on capital.

Operation Type	Main Position	Classification	In Results	Impact In Assets	Total
CCSwap USD/MXP	CD-TF/ UMS 5.125%	Fair Value	1.82		1.82
Swaps Variable/Fixed	Bankers Acceptances	Fair Value	(1.84)		(1.84)
Swaps Variable/Fixed	CD/ PRLV	Fair Value	(0.54)		(0.54)
	Fixed Rate Loans	Fair Value			
Swaps Fixed/Variable	Basket		0.15		0.15
Caps	Maximum Rate Loans	Fair Value	-		-
Swaps	Pemex Paper/ CFE/	Fair Value			
Variable/FixedUSD/UMS	UMS		<u>96.91</u>		<u>96.91</u>
Total			<u>\$ 96.50</u>		<u>\$ 96.50</u>

Formal documentation of the hedges

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

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

Sensitivity analysis

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

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

- **Convexity**- This is the variation in the slope of a curve in relation to a dependent variable or, that is the same thing, the change in duration due to changes in rates.
- **Greek** (sensitivity measures for options, except interest rate options)::
 1. Delta: Sensitivity of the price of the options to the price of the underlying of the option.
 2. Theta: Sensitivity of the price of the options to the time variable.
 3. Gamma: Sensitivity of the second degree of the price of the option to the underlying of the option.
 4. Vega: Sensitivity of the price of the option to the volatility used for its valuation.
 5. Rho: Sensitivity of the price of the option to changes in the interest rate.
- **Beta**-This is the measurement of the systematic risk of an action.

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

10. Loan portfolio, net

As of December 31, 2011 and 2010, the loan portfolio consists of the following:

	2011	2010
Current loan portfolio		
Commercial	\$ 15,806	\$ 12,304
Financial entities	83,779	84,206
Consumer	1	2
Mortgage loans	173	186
Government entities	10,364	10,713
Federal government's financial agent	<u>7,097</u>	<u>15,360</u>
	<u>\$ 117,220</u>	<u>\$ 122,771</u>
Past due loan portfolio		
Commercial	\$ 35	\$ 53
Financial entities	158	73
Consumer	4	4
Mortgage loans	<u>19</u>	<u>21</u>
	<u>216</u>	<u>151</u>
Loan portfolio	<u>\$ 117,436</u>	<u>\$ 122,922</u>

The loan portfolio by currency of origin as of December 31, 2011, is comprised as follows:

	Current	Past due
Currency	\$ 103,882	\$ 216
Foreign currency	<u>13,338</u>	<u>-</u>
	<u>\$ 117,220</u>	<u>\$ 216</u>

The loan portfolio by currency of origin as of December 31, 2011, is comprised as follows:

	Current	Past due
Currency	\$ 104,726	\$ 148
Foreign currency	<u>18,045</u>	<u>3</u>
	<u>\$ 122,771</u>	<u>\$ 151</u>

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

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

As of December 31, 2011, the balance of the past-due portfolio for a total of \$216, from the date it was classified as past-due, is comprised as follows:

	Principal and interest	Amount	Term
Commercial	\$ 34	\$ 1	181 to 365 days
	-	33	Over 2 years
Financial entities	158	92	91 to 180 days
	-	15	181 to 365 days
	-	51	Over to 2 years
Consumer	5	1	1 a 180 days
	-	4	Over 2 years
Mortgage loans	19	3	1 a 180 days
	<u>-</u>	<u>16</u>	Over 2 years
	<u>\$ 216</u>	<u>\$ 216</u>	

Interest and commissions of the loan portfolio at December 31, 2011 and 2010, are comprised as follows:

	2011		
	Interest	Commissions	Total
Commercial	\$ 1,049	\$ 19	\$ 1,068
Government entities	637	1	638
Federal government's financial agent	350	11	361
Financial entities	4,573	36	4,609
Consumer	-	-	-
Mortgage loans	<u>5</u>	<u>-</u>	<u>5</u>
	<u>\$ 6,614</u>	<u>\$ 67</u>	<u>\$ 6,681</u>

	2010		
	Interest	Comisiones	Total
Commercial	\$ 752	\$ -	\$ 752
Government entities	661	2	663
Federal government's financial agent	535	17	552
Financial entities	4,390	42	4,432
Consumer	1	-	1
Mortgage loans	5	-	5
	<u>\$ 6,344</u>	<u>\$ 61</u>	<u>\$ 6,405</u>

The effect due to the suspension of the accrued interest in the past due portfolio, resulted in a decrease of \$2 in comparison to 2010.

As of December 31, 2011 and 2010, the balance of restructured credits is comprised of the following:

	2011		
	Current	Past due	Total
Commercial	\$ 1	\$ -	\$ 1
Financial entities	989	58	1,047
Mortgage loans	4	3	7
	<u>\$ 994</u>	<u>\$ 61</u>	<u>\$ 1,055</u>

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

At December 31, 2011 and 2010, the percent concentration of the portfolio by sector is as follows:

	2011	2010
	%	%
Federal government	4.94	6.23
IPAB	1.19	6.35
Other private financial brokers	35.82	37.35
Development banking	0.08	
Multiple banking	35.57	31.24
Decentralized public agencies and private companies	8.74	8.66
Domestic companies	13.48	10.02
Private parties	0.18	0.15
	<u>100.00</u>	<u>100.00</u>

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

At December 31, 2011 and 2010, the percent concentration of the portfolio by sector is as follows:

	2011			
	Degree of risk		Total	Reserve created
	D	E		
Current	\$ -	\$ 100	\$ 100	\$ 98
Past-due	<u>3</u>	<u>193</u>	<u>196</u>	<u>193</u>
	<u>\$ 3</u>	<u>\$ 293</u>	<u>\$ 296</u>	<u>\$ 291</u>
	2010			
	Degree of risk		Total	Reserve created
	D	E		
Current	\$ 1	\$ 105	\$ 106	\$ 105
Past-due	<u>-</u>	<u>106</u>	<u>106</u>	<u>106</u>
	<u>\$ 1</u>	<u>\$ 211</u>	<u>\$ 212</u>	<u>\$ 211</u>

11. Allowance for loan losses

According to the Credit Portfolio Rating Rules applicable to Development Banking Institutions, the credit portfolio due from the Federal Government and the portfolio of wholesale lending operations through development banking institutions, are not subject to the creation of preventive provisions since these entities assume the credit risk. The credit portfolio and that of the contingent operations recorded in memorandum accounts subject to evaluation are evaluated based on the balances at the end of each quarter of the year. The provision for credit risk recorded as of December 31, 2011 and 2010, is based on the rating of the portfolio balances at December 31 of those same years, respectively, as follows:

As of December 31, 2011:

Degree of risk	Amount of liabilities	Estimate of the provision	
		% reserve	Amount
A	\$ 123,074	0.00 – 0.99	\$ 688
B	18,175	1.00 – 19.99	1,166
C	14	20.00 – 59.99	5
D	1	60.00 – 89.99	1
E	<u>307</u>	90.00 – 100.00	<u>307</u>
Portfolio qualifying	<u>141,571</u>		<u>2,167</u>
Less: Counter-guarantees received in cash	<u>-</u>		<u>17</u>
	141,571		2,150
Portfolio excluding:			
Federal government	7,348		-
Additional reserve	-		79
Subsidiary	<u>-</u>		<u>151</u>
	<u>\$ 148,919</u>		<u>\$ 2,380</u>

Of the rated portfolio, was reduced \$17 from the commercial portfolio rated with E risk, for which the pertinent reserve was not created since the Institution has collateral received in cash. The foregoing is presented as a loan portfolio in the respective risk weight in the accounting records.

As of December 31, 2010:

Degree of risk	Amount of liabilities	Estimate of the provision % reserve	Amount
A	\$ 122,021	0.00 – 0.99	\$ 725
B	13,807	1.00 – 19.99	1,041
C	487	20.00 – 59.99	194
D	11	60.00 – 89.99	9
E	<u>243</u>	90.00 – 100.00	<u>243</u>
Portfolio qualifying	<u>136,569</u>		<u>2,212</u>
Less: Counter-guarantees received in cash	<u>-</u>		<u>21</u>
	136,569		2,191
Portfolio excluding:			
Federal government	15,522		-
National Banking Institutions	-		50
Subsidiary	<u>-</u>		<u>131</u>
	<u>\$ 152,091</u>		<u>\$ 2,372</u>

The allowance for loan losses includes \$5 and \$3 that correspond to the total amount of the past due interest as of December 31, 2011 and 2010 respectively.

The movements of the allowance for loan losses as of December 31, 2011 and 2010, are as follows:

	2011	2010
Specific estimates:		
Current loan portfolio		
Commercial	\$ 327	\$ 334
Consumer	4	4
Mortgage loans	13	18
Financial entities	1,735	1,760
Government entities	<u>61</u>	<u>60</u>
	2,140	2,176
Contingent portfolio -		
Granted guarantees	10	15
Additional estimates	79	50
Subsidiary	<u>151</u>	<u>131</u>
	<u>\$ 2,380</u>	<u>\$ 2,372</u>

Movements in the allowance for loan losses are as follows:

	2011	2010
Balance January 1,	\$ 2,372	\$ 2,284
<i>Increments:</i>		
Constitution reserves for loan losses	930	960
Splintage of the foreign currency reserve	<u>1</u>	<u>-</u>
	<u>3,303</u>	<u>3,244</u>
<i>Applications:</i>		
Discounts in recovering debts	18	10
Cancellation of excess reserves	925	987
Credits transferred to suspense accounts	-	1
Splintage of the foreign currency reserve	<u>-</u>	<u>5</u>
	<u>2,360</u>	<u>2,241</u>
Subsidiary	<u>20</u>	<u>131</u>
Balance at December 31	<u>\$ 2,380</u>	<u>\$ 2,372</u>

12. **Other receivable accounts, net**

As of December 31, 2011 and 2010, the other receivables, are as follows:

	2011	2010
Loans to institution personnel	\$ 2,054	\$ 1,984
Clearing accounts	73	117
Other debtors	207	301
Receivables for commissions on current trading activities	89	119
Other receivables of subsidiary	91	70
Estimates for write-offs of other receivables	<u>(67)</u>	<u>(135)</u>
	<u>\$ 2,447</u>	<u>\$ 2,456</u>

13. **Foreclosed and repossessed assets**

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

	2011	2010
Real property	\$ 35	\$ 74
Securities	<u>21</u>	<u>19</u>
	56	93
Estimate for write-offs	<u>(31)</u>	<u>(87)</u>
Total	<u>\$ 25</u>	<u>\$ 6</u>

Write-offs of foreclosed and repossessed assets amounted to \$2 in 2011 and \$2 in 2010.

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

14. **Other investments**

Other permanent investments are included as follows:

	2011	2010
<i>Other investments:</i>		
Fideicomiso al Mercado Intermedio de Valores	\$ 2	\$ 3
Fideicomiso asistencia técnica en programas de financiamiento PYME	18	19
Fideicomiso patronato del centro de diseño de México	17	16
Fideicomiso eurocentro Nafin-México	<u>6</u>	<u>6</u>
	<u>\$ 43</u>	<u>\$ 44</u>

15. **Investments in equity securities**

At December 31, 2011 and 2010, investments in equity securities are summarized as follows:

	2011	2010
Corporación Andina de Fomento	\$ 537	\$ 506
Shares of other companies	<u>17</u>	<u>14</u>
	554	520
Shares of other associated companies (of subsidiary companies)	<u>2,145</u>	<u>1,700</u>
	<u>\$ 2,699</u>	<u>\$ 2,220</u>

16. **Term deposits**

As of December 31, 2011 and 2010, the maturities of these instruments are as follows:

	2011	2010
Less than one year	\$ 103,970	\$ 113,597
At five years	800	800
At ten years	153	193
At twenty years	<u>226</u>	<u>226</u>
	105,149	114,816
Unpaid accrued interest	<u>1,271</u>	<u>1,151</u>
	<u>\$ 106,420</u>	<u>\$ 115,967</u>

17. **Bank bonds**

The balance of this account is comprised as follows:

	Maturity	2011	2010
Stock certificates (a)	2013 y 2014	\$ 7,000	\$ 7,000
Unpaid accrued interest		<u>21</u>	<u>20</u>
		<u>\$ 7,021</u>	<u>\$ 7,020</u>

- (a) With regard to 2011, there were two issues both with a starting date of December 10, 2010: the first for 45 million securities and the other for 25 million securities at par value of MX\$100 each instrument, maturing on December 6, 2013 and December 4, 2014, respectively, with a yield of 4.855% and 4.905%, respectively.

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

18. **Securities placed abroad**

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

	<u>2011</u>	
	Amount in foreign currency	Equivalent in Mexican pesos
U.S. dollars	924	\$ <u>12,891</u>
		<u>\$ 12,891</u>
	<u>2010</u>	
	Amount in foreign currency	Equivalent in Mexican pesos
U.S. dollars	778	\$ <u>9,607</u>
		<u>\$ 9,607</u>

As of December 31, 2011 and 2010, the maturity of securities with a term of less than a year amount to \$12,891 and \$9,607, respectively.

19. Interbank loans and other loans

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

	2011	2010
Multinational and governmental agencies:		
World Bank	\$ 831	\$ 7,423
Banco de Mexico	-	-
Inter-American Development Bank (BID)	9,036	8,998
Other	<u>73</u>	<u>80</u>
	9,940	16,501
Foreign bank institutions	842	341
Domestic bank institutions	1,368	1,371
Other loans	245	327
Unpaid accrued interest	<u>89</u>	<u>128</u>
	<u>\$ 12,484</u>	<u>\$ 18,668</u>

As of December 31, 2011 and 2010, the maturity of loans with a term of less than a year amount to \$4,437 and \$11,095, respectively.

At December 31, 2011, Interbank loans and other loans are summarized as follows:

Currency	Financial institution	Rate	Term	Balance	
				Foreign currency	Currency
Mexican pesos	ABN Amro Bank, S.A.	4.2	3 days	-	\$ 130
	Banca Afirme, S.A.	4.4	3 days	-	274
	Banco Nacional de Comercio Exterior, S.N.C.	4.45	3 days	-	144
	Banco Ve por Más, S.A.	4.2	3 days	-	65
	Banco Wal Mart de México, S.A.	4.2	3 days	-	51
	Banco Azteca, S.A.	4.4	3 days	-	385
	JP Morgan, S.A.	4.3	3 days	-	155
	Federal Government	CETES 28 days	15 years	-	<u>34</u>
					<u>1,238</u>
	U.S.dollars	Banco Nacional de Comercio Exterior, S.N.C.	1.1508	6 years	11.8
Instituto de Crédito Oficial de España		1.25	30 years	6.0	83
Instituto de Crédito Oficial de España		1.5	30 years	4.1	57
Kreditanstalt für Wiederaufbau Frankfurt		2.73	7 years	39.0	544
Nordic Investment Bank		1.254	10 years	0.5	7
Nordic Investment Bank		0.8875	10 years	2.0	28
BID		1.24	25 years	149.0	2,078
Federal Government		Libor 3 months	15 years	5.9	83
Federal Government		Libor 3 months	15 years	9.2	<u>128</u>
					<u>3,172</u>

Currency	Financial institution	Rate	Term	Balances	
				Foreign currency	Currency
Euros	Natexis Banque	2.0	30 years	6.8	<u>123</u>
					<u>123</u>
Interest					<u>0</u>
	Total				<u>\$ 4,533</u>
<i>Financial agency</i>					
U.S.dollars	BID	3.63	12 years	64.8	905
	BID	3.88	12 years	134.1	1,871
	BID	3.99	12 years	107.7	1,502
	BID	4.0986	12 years	60.0	837
	BID	2.25	15 years	100.0	1,395
	BID	3.26	15 years	19.0	266
	BID	2.25	20 years	3.5	49
	BIRF	4.451	15 years	59.6	<u>831</u>
					7,656
Euros	BID	3	25 years	7.4	<u>133</u>
					133
Special drawing rights	FIDA	1.3	18 years	3.4	<u>73</u>
					<u>73</u>
Interest					<u>89</u>
					<u>7,951</u>
	Total				<u>\$ 12,484</u>

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

	2011	2010
Banco de México	\$ 464	\$ 447
Kreditanstalt Fur Wideraufbau Frankfurt	583	533
BID Washington DC	14	-
Subsidiary	<u>44</u>	<u>1,726</u>
	<u>\$ 1,105</u>	<u>\$ 2,706</u>

20. Other payable

This caption is comprised of the following reserves and provisions:

	2011	2010
Sundry creditors	\$ 389	\$ 441
Income taxes payable	489	479
Statutory employe profit sharing to pay	142	89
Provisions for other items	102	134
Clearing accounts	2,612	291
Guarantee deposits	<u>22</u>	<u>26</u>
	<u>\$ 3,756</u>	<u>\$ 1,460</u>

21. Labor obligations

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

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

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

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

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

The net periodic cost that affected the results of 2011 and 2010 was \$790 and \$679, respectively.

As of December 31, 2011 and 2010, the labor obligations fund is \$6,232 and \$5,861, respectively, and is fully invested in an irrevocable trust created in the Institution.

In accordance with NIF D-3 "Employee benefits", the Institution recognized in its financial statements the effect of liabilities for "Other postretirement benefits". At the close of 2011, the net periodic cost recorded in the Institution's results was \$446 and the related liability was \$6,660.

The summary of the actuarial calculations as of December 31, 2011 is as follows:

Calculation hypothesis

Demographics

- a. Mortality rate: Those shown in the EMSSA Mortality Rate Non-invalids Unisex 2009.
- b. Disability rates: Product of experience IMSS-1997.
- c. Turnover rates: Bufete Matemático Actuarial _R.

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

Age	Mortality EMSSA_2009	Disability IMSS 97	Turnover BMA R
20	0.001606	0.000760	0.606061
25	0.001828	0.001000	0.112179
30	0.002128	0.001120	0.068027
35	0.002526	0.001290	0.042735
40	0.003078	0.001640	0.027349
45	0.003823	0.002210	0.016340
50	0.004850	0.003470	0.009033
55	0.006280	0.007120	0.003814
60	0.008297	0.000000	0.000000
65	0.011214	0.000000	0.000000

The application of these rates enables an estimate of which current payroll members will become subject to the benefit upon reaching the retirement age; it also enables an estimate of who will reach the retirement age while still on the job and entitled to the benefit.

Economic

For the selection of assumptions used in the actuarial valuation, is based in NIF D-3 and the document prepared by the Committee on Principles and Practice Research Actuary of the Mexican Association of Consulting Actuaries, AC (AMAC), entitled "Methodologies for determining the Actuarial Valuation Assumptions for Pension Plans, Seniority Premiums and Compensation and earlier retirement (or alternative retirement date, should not have retirement plans) and Health Benefits postretirement, dated on July 2009.

The financial hypotheses are shown in the following table:

	2011	2010
Rate of return on assets	7.00%	7.50%
Discount rate before retirement	7.00%	7.50%
Rate of wage increase	4.00%	4.00%
Rate of increase in minimum wage	3.50%	3.50%
Rate of increase for after retirement	3.50%	3.50%
Rate of increase in medical service costs	6.00%	6.00%
Inflation long-term	3.50%	3.50%

Discount rate: the methodology used to determine the discount rate is known as the yield or the internal rate of return (TIR). It consists of calculating the present value of the expected plan flows using the expected rate for each period and subsequently determining a discount rate equal to such present value. The expected rates for each period are based on a yield curve provided by a price supplier.

Asset yield rate: the expected rate of return of the plan assets is equal to the discount rate.

Wage increase rate and minimum wage: based on the information provided by the Institution, wages are increased in conformity with inflation and the minimum wage increase. In accordance with the increases of the last few years, the same wage increase rate used in the previous year is maintained and it already includes the wage history. Minimum wage increases according to inflation

Pension increase rate: pursuant to CGT, the net income of retirees will increase in the same proportion as general increases.

Long-term inflation: The long-term inflation considered was 3.5%, based on the results compiled by Banco de México, from the survey on expectations of private sector economic experts, for the month of October 2011.

The private sector economic analysts interviewed by Banco de México estimated annual inflation of 3.31% at the close of 2011, the estimated inflation for the period 2012-2015 was 3.59%, and for the period 2016-2019 is estimated at an average of 3.46%.

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

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

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

Financing system and instrument

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

Retirement, Seniority Premium and Other Retirement Benefits

The financing instrument used is a trust fund.

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

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

Note that the accounting policy selected by the Institution to recognize actuarial gains and losses generated by retirement, seniority premiums, and other retirement benefits is to recognize them during the remaining labor life. Actuarial gains and losses on termination seniority premiums are recognized as accrued in conformity with NIF D-3.

Retirement

- The liability is only determined for the personnel who participated in the defined benefit plan.
- The defined benefits obligations for the retired personnel as of December 31, 2011 and 2010 are \$5,158 and \$4,880, respectively. This represents an increase of 6.97% due to the change in the rate discount.
- The defined benefits obligations of the active personnel as of December 31, 2011 and 2010 are \$1,149 and \$1,036, respectively. This represents a decrease due to the early retirements.
- The plan assets as of the valuation date are \$6,197, which covers 100% of the obligations of the retired personnel and more than 90.36% of the obligations of the active personnel.
- Net periodic cost for 2011 is \$324.
- The amount of the accounting reserve at the close of 2011 is \$(56).

Seniority Premium

- For purposes of determining the liability for this benefit, all personnel are considered, both those who chose the defined benefit pension plan and those who chose the defined contribution pension plan.
- The actuarial study presents the separation of the seniority premium for retirement benefits and termination benefits; however, the comments will be universal in nature.
- The plan assets at the valuation date are \$35. Please note that the financing level of the employees' obligations exceed 100%.
- Net periodic cost for 2011, after recognizing the actuarial (gains)/losses, was determined at \$(0.3). No contribution was made by the Institution since the plan assets exceed the defined benefit obligations.
- The amount of the accounting reserve at the close of 2011 is \$(5)

Other Retirement Benefits

- To determine the liability for this benefit, all personnel are considered, both those who chose the defined benefit pension plan and those who chose the defined contribution pension plan.
- The defined benefit obligations for retired personnel as of December 31, 2011 and 2010 are \$3,874 and \$3,695, respectively. This represents an increase of 4.84% due to the early retirements, a change in the discount rate and plan increase in medical expenses.
- The defined benefit obligations of active employees as of December 31, 2011 and 2010 are \$1,176 and \$1,004 respectively. This represents an increase of 17.13% due to the early retirements.
- The plan assets at the valuation date are \$4,140 which covers 100% of the obligations of retired employees and 22.64% of the obligations of active employees.
- The amount of the accounting reserve at the close of 2011 is \$12.
- Net periodic cost at the end of 2011 was \$378, which includes the increase in the obligations of retirees due to the change in the mortality table and early retirements in the previous year.

Other Postretirement Benefits (PEA and Loans to retirees)

Calculation hypothesis

Demographics

- a. Mortality rate: Those shown in the EMSSA Mortality Rate Non-invalids Unisex 2009.
- b. Disability rates: Product of experience IMSS-1997.
- c. Turnover rates: Bufete Matemático Actuarial _R..

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

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

Economic

For the selection of assumptions used in the actuarial valuation, is based in NIF D-3 and the document prepared by the Committee on Principles and Practice Research Actuary of the Mexican Association of Consulting Actuaries, AC (AMAC), entitled "Methodologies for determining the Actuarial Valuation Assumptions for Pension Plans, Seniority Premiums and Compensation and earlier retirement (or alternative retirement date, should not have retirement plans) and Health Benefits postretirement, dated on July 2009.

The financial hypotheses are shown in the following table:

	2011	2010
Rate of return on assets	7.00%	7.50%
Discount rate before retirement	7.00%	7.50%
Rate of wage increase	4.00%	4.00%
Rate of increase in minimum wage	3.50%	3.50%
Rate of increase in pensions	3.50%	3.50%
Rate of UDIBONOS to 30 years	3.80%	2.93%
Inflation long-term	3.50%	3.50%

Discount rate: the methodology used to determine the discount rate is known as the yield or the internal rate of return (TIR). It consists of calculating the present value of the expected plan flows using the expected rate for each period and subsequently determining a discount rate equal to such present value. The expected rates for each period are based on a yield curve provided by a price supplier.

Asset yield rate: the expected rate of return of the plan assets is equal to the discount rate.

Wage increase rate and minimum wage: based on the information provided by the Institution, wages are increased in conformity with inflation and the minimum wage increase. In accordance with the increases of the last few years, the same wage increase rate used in the previous year is maintained and it already includes the wage history. Minimum wage increases according to inflation.

Pension increase rate: pursuant to CGT, the net income of retirees will increase in the same proportion as general increases.

Long-term inflation: The long-term inflation considered was 3.5%, based on the results compiled by Banco de México, from the survey on expectations of private sector economic experts, for the month of October 2011

The private sector economic analysts interviewed by Banco de México estimated annual inflation of 3.31% at the close of 2011, the estimated inflation for the period 2012-2015 was 3.59%, and for the period 2016-2019 is estimated at an average of 3.46%.

30 year Udibonos: The values of the 30 year Udibonos reported in the offering of October 18, 2011 are used to determine the financial cost of the credits.

Financing system and instrument

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

The financing instrument used is a trust fund.

Calculation bases

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

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

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

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

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

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

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

- The defined benefit obligations for retired employees as of December 31, 2011 and 2010 are \$2,093 and \$1,800, respectively, representing a 16.28% increase due to the change in the mortality table.
- The defined benefit obligations of the active employees as of December 31, 2011 and 2010 are \$1,101 and \$914, respectively. This represents an increase of 20.46% due to the change in the mortality table.
- The plan assets as of December 31, 2011 are \$2,520, which do not cover 100% of the obligations of the retired employees and 38.78% from the active crew.
- Net periodic cost at the end of 2011 is \$67.
- The Institution made a contribution for \$68.
- The amount of the accounting reserve at the close of 2011 is \$(22).

Reconciliation of unrecognized items

As of December 31, 2011, the detail is as follows

	Pension plan for retirement	Seniority premium (retirement benefits)	Seniority premium (termination benefits)	Other benefits at retirement	Other benefit retirement financing cost of the credits
1.- Past service for initial transition liability/(asset):					
Opening balance	\$ -	\$ -	\$ -	\$ -	\$ -
Labor cost of past service (PTI)	-	-	-	-	-
Final balance after the event	-	-	-	-	-
2.- Last service for plan amendments					
Termination date	31/dic/2011	-	-	31/dic/2011	31/dic/2011
OBD before early retirement	52	-	-	68	23
OBD after early retirement	74	-	-	85	22
Acquired rights derived from the modification	-	-	-	-	-
Effects of changes to the plan	22	-	-	17	(1)
Average working life	1.00	1.00	1.00	1.00	1.00
Past service cost (MP)	22	-	-	17	(1)
Reconciliation of past service modification / introduction of the plan					
Beginning balance	-	-	-	-	-
Past service cost	-	-	-	-	-
Effect of amendments to the plan 31/Dec/2011	22	-	-	17	(1)
Ending Balance	22	-	-	17	(1)
3.- Last service by changing the methodology					
Beginning balance	-	-	-	-	-
Past service cost	-	-	-	-	-
Ending balance	-	-	-	-	-
4.- Actuarial (gain)/loss					
Actuarial (gain)/loss as of December 31	146	1	-	982	325
Net actuarial (gain)/loss	-	-	-	34	7
Unrecognized actuarial (gain)/loss	146	1	-	948	315
Actual fund balance*	5,925	19	17	3,904	2,455
Estimated fund	5,933	19	17	3,934	2,550
Actuarial (gain)/loss for fund estimate	8	-	-	30	95
Actual defined benefit obligation	5,958	24	9	4,714	3,012
Defined benefit obligation estimate	6,023	23	11	4,893	2,847
(Gain) / loss actuarial estimate of the OBD without early retirement	(65)	1	(2)	(179)	165
Rate change effect	327	-	-	318	183
(Gain) / loss actuarial estimate of the OBD	262	1	(2)	139	348
(Gain) / loss period total actuarial	269	1	(2)	169	444
Recognition rate change	(253)	-	-	(206)	-
Differences between estimates from November to December and November-December real	4	-	1	(13)	(65)
(Gain) / loss total actuarial	166	3	(2)	898	696
Net actuarial (gain)/loss					
Actuarial (gain)/loss in excess of the fluctuation band	-	-	-	393	377
Amortization period	6.77	9.85	-	13.24	6.77
Net actuarial (gain)/loss	-	-	-	27	56

*Actual fund balance as of December 31, 2011.

Net periodic cost for 2011

As of December 31, 2011

	Pension plan for retirement	Seniority premium (retirement benefits)	Seniority premium (termination benefits)	Other benefits at retirement	Other benefit retirement financing cost of the credits
1. Labor cost of current service (CLSA)					
A. Amount at the start of the year	41	1	1	49	44
B. Interest for the year	3	-	-	3	3
C. Total labor cost of current service	44	1	1	52	47
Percentage CLSA of the annualized payroll	17.00%	0.26%	0.14%	13.16%	17.98%
2. Financial cost (CF)					
A. Defined benefit obligation at the start of the year	5,916	22	10	4,699	3,194
B. Expected payments	377	3	2	195	130
C. Average defined benefit obligations	5728	21	9	4,601	3,129
D. Financial cost	430	2	1	345	219
Percentage CF of the annualized payroll	166.51%	0.39%	0.17%	86.84%	83.71%
3. Expected return on plan assets (REAP)					
A. Balance at the start of the year	5,826	19	16	3,705	2,520
B. Expected payments	377	3	2	195	130
C. Recommended annual contribution	49	-	-	155	145
D. Average reserve	5,662	18	15	3,686	2,527
E. Rate of return of the reserve	7.50%	7.50%	7.50%	7.50%	7.00%
F. Expected returns	(425)	(1)	(1)	(276)	(177)
Percentage REAP expected on the annualized payroll	164.59%	0.34%	0.28%	69.55%	67.62%
4. Amortization for the period					
A. Labor cost of past service					
-Initial transition liability/(asset)	-	-	-	-	-
-Plan amendments	-	-	-	-	-
-Change in methodology	-	-	-	-	-
B. Net actuarial (gain)/loss	-	-	-	34	56
C. Total amortization for the period	-	-	-	34	56
Unpaid percentage cost of the annualized payroll	0.00%	0.01%	0.00%	8.64%	21.27%
5. Estimated net periodic cost of the start of the year	49	1	-	155	-
Percentage cost of the period of the annualized payroll	18.92%	0.31%	0.02%	39.09%	-
6. Recognition of past service	-	-	-	-	-
Expected percentage cost of the annualized payroll	-	-	0.00%	-	-
7 Actuarial (gain)/loss for the period	-	-	(2)	-	-
Expected percentage cost of the annualized payroll	-	-	0.41%	-	-
8. Effect from severance payment/reductions	-	-	-	-	-
9. Recognition of acquired rights	22	-	-	17	-
10. Recognition rate change	253	-	-	206	-
11. Net periodic cost (CNP)	<u>324</u>	<u>1</u>	<u>(1)</u>	<u>378</u>	<u>145</u>
CNP percent annualized payroll	<u>125.46%</u>	<u>0.31%</u>	<u>0.39%</u>	<u>95.22%</u>	<u>55.34%</u>

Current status

As of December 31, 2011, the detail is as follows:

	Pension plan for retirement	Seniority premium (retirement benefits)	Seniority premium (termination benefits)	Other benefits at retirement	Other benefit retirement financing cost of the credits
Defined benefits obligations	\$ (6,307)	\$ (24)	\$ (9)	\$ (5,049)	\$ (3,194)
Plan assets	<u>6,197</u>	<u>18</u>	<u>16</u>	<u>4,140</u>	<u>2,250</u>
Defined benefits obligations in excess of plan assets	(110)	(6)	7	(909)	(674)
Unrecognized past service for initial transition liability/(asset)	-	-	-	-	-
Unrecognized past service for plan amendments	-	-	-	-	-
Unrecognized past service for change in methodology	-	-	-	-	-
Unrecognized actuarial (gain)/loss	<u>166</u>	<u>3</u>	<u>-</u>	<u>898</u>	<u>696</u>
Projected net (liability)/asset	<u>\$ 56</u>	<u>\$ (3)</u>	<u>\$ 7</u>	<u>\$ (11)</u>	<u>\$ 22</u>
Reconciliation of the accounting reserve					
As of December 31, 2011					
Balance at the start of the year	\$ (56)	\$ 2	\$ (6)	\$ 12	\$ (21)
Net periodic cost in accordance with NIF D-3	324	1	(2)	378	67
Contribution made to the fund	(49)	-	-	(155)	(68)
Contribution to recognize early retirement and rate changes	(275)	-	-	(223)	-
Actual payments charged to the accounting reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>\$ (56)</u>	<u>\$ 3</u>	<u>\$ (8)</u>	<u>\$ 12</u>	<u>\$ (22)</u>

22. Income taxes

Income tax and Business Flat Tax Law - In 2011 and 2010, the Institution was subject to the payment of Income Tax (ISR) and, the Business Flat Tax Law (IETU).

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

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

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

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

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

	2011	2010
Current:		
IETU	\$ 447	\$ 350
ISR	<u>10</u>	<u>116</u>
	<u>\$ 457</u>	<u>\$ 466</u>
Deferred:		
IETU	<u>\$ (8)</u>	<u>\$ (32)</u>

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

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

At December 31, 2011, tax loss carryforwards, date to that date, are summarized as follows:

Year	Restated amount	Year of expiration
2006	<u>\$ 563</u>	2011

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

	2011		2010	
	ISR	IETU	ISR	IETU
Liabilities				
Valuation of derivative instruments	\$ -	\$ -	\$ -	\$ -
Investments in non-deductible fixed assets	-	308	-	311
Accounts receivable	-	-	-	5
	<u>-</u>	<u>308</u>	<u>-</u>	<u>316</u>
Assets				
Credit from investment on fixed assets	\$ -	\$ 8	\$ -	\$ 9
Deduction from investment on fixed assets	-	7	-	6
Accounts payable	-	1	-	2
Provisions	1	-	1	-
Investment in shares valuation	55	-	18	-
	<u>56</u>	<u>16</u>	<u>19</u>	<u>17</u>
Deferred taxes (net)	<u>\$ (56)</u>	<u>\$ 292</u>	<u>\$ (19)</u>	<u>\$ 299</u>

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

	2011	2010
Statutory rate	17.5%	17.5%
Add (less):		
Financial margin	12	8
Other	5.5	1.5
Effective rate	<u>35%</u>	<u>27%</u>

23. Stockholders' equity

a. Common stock.-

The agreement published by the Treasury Department in the Federal Official Gazette on November 11, 2011, establishes the Institution's paid common stock increase of \$595, increasing from \$1,199 in 2010 to \$1,794 in 2011; as of December 31, 2011, it was composed of 23,679,272 Series "A" CAPs and, 12,198,414 Series "B" CAPs each with a par value of \$50 Mexican pesos, whose subscription was subject to the following conditions:

- Foreign individuals or companies cannot participate directly or indirectly in Series B capital.
- Except for the Federal Government and Common Investment Funds, no individual or company may acquire, through one or more simultaneous or successive operations of any kind, control of Series B CAP's representing more than 5% of paid-in common stock

	2011	2010
Nominal common stock	\$ 2,390	\$ 2,390
Capital not shown	<u>(596)</u>	<u>(1,190)</u>
Paid-in capital	<u>\$ 1,794</u>	<u>\$ 1,200</u>

Paid-in capital consists of 31,548,000 Series A CAP's and 16,252,000 Series B CAP's at a face value of MX \$50 each. The serie "A" represents 66% from the capital stock of the Institution , which can only be signed by the Federal Government and the series "B" for the remaining 34%.

	2011	2010
Paid-in capital	\$ 1,794	\$ 1,200
Increase for upgrade	<u>7,011</u>	<u>7,011</u>
Capital stock	<u>\$ 8,805</u>	<u>\$ 8,211</u>

b. Contributions for future capital increases.-

As of December 31, 2011 and 2010, its value is \$1,000 and \$5,150, respectively.

During a session held on November 24, 2011, the Board of Directors instructed the Institution to make the necessary arrangements to ask the Federal Government, through the Treasury Department, for a capital contribution in the amount necessary to support the development and investment banking transaction volume included in its financial program goals, and to maintain a reasonable capitalization level of at least 15%, which was recorded as of December 31, 2011 for \$1,000.

Similarly, \$5,150 of contributions for future capital increases were capitalized as follows: paid common stock of \$595 and share subscription premium reserves of \$4,055.

c. Share sale premium.-

Refers to payments made by holders of Series B CAP's. The balance as of December 31, 2011 and 2010 for the premiums paid is \$8,922 and \$4,366 respectively.

d. Capital reserves.-

The nominal value of these reserves as of December 31, 2011 and 2010 is \$314 and its value at the close of both years is \$1,730.

e. Result from previous years.-

As of December 31, 2011 and 2010, the account balance is composed as follows:

	2011	2010
Result from adjustment of changes in accounting policies established by the Commission in Circular 1343	\$ (2,860)	\$ (2,860)
Loss from previous years	(4,011)	(5,051)
Creation of reserves for foreclosed assets	(260)	(260)
Transfer of undocumented contributions	4,467	4,467
RETANM realized	(13)	(13)
Reserve for pensions, PEA and loans to retirees	<u>(4,310)</u>	<u>(4,310)</u>
	<u>\$ (6,987)</u>	<u>\$ (8,027)</u>

f. Result from valuation of securities available for sale.-

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

As of December 31, 2011 and 2010, the result from at-market valuation of securities available for sale is composed as follows:

	2011	2010
Valuation of securities available for sale	\$ <u>57</u>	\$ <u>12</u>
Total	\$ <u>57</u>	\$ <u>12</u>

g. Effects from valuation of associated and affiliated companies.-

Surpluses or deficits which do not come from operating results of the associated or affiliated companies are recognized in this heading. In 2011, there was an increase in valuation of \$31.

h. Legal provisions.-

On November 23, 2008, the SHCP published new rules for the capitalization requirements of full-service banks, national credit companies, and development banks, which went into effect as of January 1, 2010. These new capitalization rules establish requirements with specific net capital levels, as a percentage of assets with market and credit risk. In this regard, as of December 31, 2011, there is a level of 15.14%, confirmed by BANXICO,

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

24. Statement's of operations

The main items comprising the consolidated statement of operations of the Institution for 2011 and 2010 are as follows:

Net income.-

Concept	2011		
	Total	Local currency	Foreign currency
<i>Interest from current portfolio</i>			
Commercial activity	\$ 1,048	\$ 1,024	\$ 24
Mortgage loans	4	4	-
Government entity loans	637	634	3
Federal government's financial agent	350	-	350
Second tier credits	<u>4,569</u>	<u>4,486</u>	<u>83</u>
	<u>6,608</u>	<u>6,148</u>	<u>460</u>
<i>Interest income from past-due portfolio</i>			
Commercial activity	1	1	-
Second tier credits	4	4	-
Consumer loans			
Mortgage loans	<u>1</u>	<u>1</u>	<u>-</u>
	<u>6</u>	<u>6</u>	<u>-</u>
<i>Interest and yields earned on investment in securities</i>			
Trading	166	166	-
Available for sale	54	-	54
Held to maturity	<u>1,114</u>	<u>1,054</u>	<u>60</u>
	<u>1,334</u>	<u>1,220</u>	<u>114</u>

Concept	2011		
	Total	Local currency	Foreign currency
<i>Interest and yields earned on repurchase agreement operations</i>			
From operations of repurchase agreement	<u>10,896</u>	<u>10,896</u>	<u>-</u>
	<u>10,896</u>	<u>10,896</u>	<u>-</u>
<i>Income for cash and cash equivalents</i>			
Banks	8		8
Restricted cash	<u>825</u>	<u>1</u>	<u>824</u>
	<u>833</u>	<u>1</u>	<u>832</u>
<i>Commissions earned on lending transactions (adjustment to yield)</i>			
Commercial credits	<u>67</u>	<u>56</u>	<u>11</u>
	<u>67</u>	<u>56</u>	<u>11</u>
<i>Interest income on subsidiaries</i>			
Other	<u>1</u>	<u>1</u>	<u>-</u>
	<u>1</u>	<u>1</u>	<u>-</u>
Total interest income	<u>\$ 19,745</u>	<u>\$ 18,328</u>	<u>\$ 1,417</u>
<i>Interest expense</i>			
Interest on term deposits	\$ 5,883	\$ 5,862	\$ 21
Interest on bank bonds	375	342	33
Interest expense on interbank loans and from other agencies	489	80	409
Interest	<u>9,399</u>	<u>9,399</u>	<u>-</u>
Loss on valuation changes			
Loss on valuation changes	<u>1,881</u>	<u>1,881</u>	<u>-</u>
Total interest expense	<u>\$ 18,027</u>	<u>\$ 17,564</u>	<u>\$ 463</u>
Financial margin	<u>\$ 1,718</u>	<u>\$ 764</u>	<u>\$ 954</u>
<i>Intermediation result</i>			
<i>Result on valuation at fair value and decrease on securities at value cost</i>			
Trading securities	\$ (506)	\$ (506)	\$ -
Derivative instruments for trading purposes	75	(7)	82
Hedging financial instruments	<u>(15)</u>	<u>(27)</u>	<u>12</u>
	<u>(446)</u>	<u>(540)</u>	<u>94</u>
Gain on valuation of precious metal coins	<u>1</u>	<u>-</u>	<u>1</u>
<i>Result on trading of securities and derivative financial instruments</i>			
Trading available for sale	677	677	-
Derivative instruments with trading purposes	1,440	1,264	176
Intermediation result of subsidiaries	<u>2</u>	<u>2</u>	<u>-</u>
	<u>2,119</u>	<u>1,943</u>	<u>176</u>
Intermediation result	<u>\$ 1,674</u>	<u>\$ 1,403</u>	<u>\$ 271</u>

Concept	2011		
	Total	Local currency	Foreign currency
<i>Other income (loss) of operation</i>			
Reversal of excess of allowance for loan losses	\$ 925	\$ 915	\$ 10
Gain on sale of foreclosed assets			
Allowance for foreclosed assets	(2)	(2)	-
Other losses	(85)	(85)	-
Income on loans to personnel	40	40	-
Other income (expenses) of the operation (a)	(989)	(989)	-
Other income from subsidiaries	<u>145</u>	<u>145</u>	<u>-</u>
	<u>\$ 34</u>	<u>\$ 24</u>	<u>\$ 10</u>

- (a) On December 6, 2011, the Institution made a payment of \$1,250 as established in official notice number 102.-B-188 dated December 6,2011, issued by the Office of the Assistant Secretary of the Treasury Department, in which the Federal Government ordered the payment of a non-tax charge for the sovereign guarantee by the Federal Government

Concept	2010		
	Total	Local currency	Foreign currency
<i>Interest from current portfolio</i>			
Commercial activity	\$ 749	\$ 733	\$ 16
Mortgage loans	4	4	-
Government entity loans	661	657	4
Federal government's financial agent	535	-	535
Second tier credits	<u>4,386</u>	<u>4,333</u>	<u>53</u>
	<u>6,335</u>	<u>5,727</u>	<u>608</u>
<i>Interest income from past-due portfolio</i>			
Commercial activity	3	3	-
Second tier credits	4	4	-
Consumer loans	1	1	-
Mortgage loans	<u>1</u>	<u>1</u>	<u>-</u>
	<u>9</u>	<u>9</u>	<u>-</u>
<i>Interest and yields earned on investment in securities</i>			
Trading	119	119	-
Available for sale	14	3	11
Held to maturity	<u>2,037</u>	<u>1,966</u>	<u>71</u>
	<u>2,170</u>	<u>2,088</u>	<u>82</u>
<i>Interest and yields earned on repurchase agreement operations</i>			
From operations of repurchase agreement	<u>7,792</u>	<u>7,792</u>	<u>-</u>
	<u>7,792</u>	<u>7,792</u>	<u>-</u>
<i>Income for cash and cash equivalents</i>			
Banks	20	-	20
Restricted cash	<u>618</u>	<u>616</u>	<u>2</u>
	<u>638</u>	<u>616</u>	<u>22</u>

Concept	2010		
	Total	Local currency	Foreign currency
<i>Commissions earned on lending transactions (adjustment to yield)</i>			
Commercial credits	61	37	24
	<u>61</u>	<u>37</u>	<u>24</u>
<i>Valuation change income</i>			
Favorable change	148	-	148
	<u>148</u>	<u>-</u>	<u>148</u>
<i>Interest income on subsidiaries</i>			
Other	30	30	-
	<u>30</u>	<u>30</u>	<u>-</u>
Total interest income	<u>\$ 17,183</u>	<u>\$ 16,299</u>	<u>\$ 884</u>
<i>Interest expense</i>			
Interest on term deposits	\$ 5,416	\$ 5,414	\$ 2
Interest on bank bonds	177	145	32
Interest expense on interbank loans and from other agencies	671	65	606
Interest in operating reporting income	<u>7,386</u>	<u>7,386</u>	<u>-</u>
Total interest expense	<u>\$ 13,650</u>	<u>\$ 13,010</u>	<u>\$ 640</u>
Financial margin	<u>\$ 3,533</u>	<u>\$ 3,289</u>	<u>\$ 244</u>
Intermediation result.-			
<i>Result on valuation at fair value and decrease on securities at value cost</i>			
Trading securities	\$ 34	\$ 34	\$ -
Derivative instruments for trading purposes	(32)	(9)	(23)
Hedging financial instruments	<u>(3)</u>	<u>(3)</u>	<u>-</u>
	<u>(1)</u>	<u>22</u>	<u>(23)</u>
<i>Result on trading of securities and derivative financial instruments</i>			
Trading securities	441	440	1
Available for sale	3	-	3
Derivative instruments with trading purposes	(257)	(421)	164
Intermediation result of subsidiaries	<u>438</u>	<u>438</u>	<u>-</u>
	<u>625</u>	<u>457</u>	<u>168</u>
Intermediation result	<u>\$ 624</u>	<u>\$ 479</u>	<u>\$ 145</u>
Cancellation for excess allowance for loan losses	\$ 987	\$ 980	\$ 7
Gain on sale of foreclosed assets	4	4	-
Income from sales of property, furniture and equipment	1	1	-
Income on loans to personnel	40	40	-
Impact on estimates of irrecoverable or difficult collection	(3)	(3)	-
Allowance for foreclosed assets	(2)	(2)	-
Other income (expenses)	(1,528)	(1,530)	2
Other income (expenses) of subsidiaries	<u>80</u>	<u>80</u>	<u>-</u>
	<u>\$ (421)</u>	<u>\$ (430)</u>	<u>\$ 9</u>

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

25. Commitments and contingencies

Guarantees and sureties

As of December 31, 2011 and 2010, the Institution has granted sureties for \$295 and \$1,026, respectively, which represent a contingent risk if the secured debtor does not settle his debt with the creditor institution. In 2011 and 2010, no losses on sureties were recorded in results of the year; however, when a secured borrower has not timely repaid his debt, the Institution has granted credits to fulfill its obligation. In 2011, no credits of this kind were granted.

Contingent assets and liabilities

At December 31, 2011 and 2010, this item amounted to \$ 24,019 and \$ 23,862, respectively, composed as follows:

<u>Concept</u>	2011	2010
Contingent liabilities		
Liabilities or guarantees given	\$ 31,178	\$ 28,135
Commitments	-	1,758
Receivables from claims	<u>514</u>	<u>196</u>
	<u>\$ 31,692</u>	<u>\$ 30,089</u>
Contingent assets		
Counter guarantee received from the Trust for Business Financing.	\$ 7,393	\$ 5,922
Guarantees paid to be recovered	<u>280</u>	<u>305</u>
	<u>\$ 7,673</u>	<u>\$ 6,227</u>

At the 2011 yearend, guarantees of \$29,386 are recorded in the Trust Fund for Risk Equity under the Liabilities for guarantees granted line item, which represent the amount of liability assumed by the Institution to guarantee loan portfolio recovery by financial intermediaries.

The Trust Fund for Risk Equity reduces the Institution’s contingency through the counter guarantee received from the Counter Guarantee Trust for Business Financing, which grants loans for specific purposes, and has assigned \$7,393 for these purposes, insuring for this amount the recovery of the guarantees exercised by the financial intermediaries who assume the commitment to arrange the in-court or out-of-court recovery of the loans of their end borrowers. The Trust currently has reserves of \$151, as required by the Commission. The Institution believes that the exposure is hedged with such resources based on the experience observed in the Guarantee Program.

Other contingent obligations

As of December 31, 2011 and 2010, there are claims filed against the Institution in different lawsuits. The Institution does not believe that they will have a significant effect on the financial statements.

On November 13, 2008, the Tax Administration Service (SAT), through the Central Audit Administration for the Financial Sector and Sundry Large Taxpayers, notified the Institution in official notice 900 06 03-2010-18633, of an unpaid tax liability of \$15 for the year 2004, which includes unpaid income tax of \$7, plus the restatement, fines and surcharges as of that date. Nacional Financiera accepted the nonpayment of income tax for \$8.

On August 9, 2009, the Institution filed an action for annulment with the Metropolitan Regional Chamber of the Federal Tax Court, with the file 20841/09-17-06-4.

On June 2, 2010, the Institution filed an action for annulment with the Metropolitan Regional Chamber of the Federal Tax Court.

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

26. Property held in trust or under mandate (unaudited)

As of December 31, 2011 and 2010, the balances of the transactions in which the Institution acts as Trustee are composed as follows:

	2011	2010
Investment trust	\$ 15,322	\$ 17,675
Management trust	559,290	527,836
Guarantee	<u>38,891</u>	<u>34,256</u>
	613,503	579,767
Under mandate	<u>38,335</u>	<u>82,275</u>
	<u>651,838</u>	<u>662,042</u>
Financial agent of the Federal Government	<u>167,327</u>	<u>127,176</u>
Total	<u>\$ 819,165</u>	<u>\$ 789,218</u>

The Institution's revenues from its fiduciary activities during the years 2011 and 2010 were \$159 and \$157, respectively.

- a. As of December 31, 2011 and 2010, the trust accounts have a balance of \$548 and \$795, respectively, which refer to the assets held in the Portfolio Recovery Trust (FIDERCA), which administers problem accounts originally held by the Institution and transferred to the Federal Government during 1996. Currently, the Institution holds the respective beneficiary rights.
- b. The Institution created the trust to strengthen its capital in compliance with article 55- Bis of the Law on Credit Institutions, the general rules applicable to National Credit Institutions, and Development Bank Institutions, for purposes of their operation, published on October 24, 2002 in the Federal Official Gazette.

27. Other recording accounts (unaudited)

As of December 31, 2011 and 2010, the balances of other recording accounts are composed as follows:

	2011	2010
Opening of credits	\$ 38,172	\$ 15,781
Renewed and restructured credits	990	742
Bad debts	2,199	1,972
Mortgages with credits not yet secured	280	271
Bad debts applied against the provision	463	405
Instruments and coupons to be incinerated	3	3
Control of credit portfolio expirations	116,589	122,080
Control of expirations of liabilities	129,168	134,630
Recording of IVA by States	81	81
Portfolio in recovery	202	461
Classification of credit portfolio by degree of risk	148,919	152,091
Issuance of provisional certificates	950	950
Credits obtained not applied	1,105	2,706
Sundry unspecified items	95,732	112,139
Foreclosed goods or received in payment provisionally written off	10	10
Control of amounts contracted in repurchase agreements and derivatives	32,293	32,039
Valuation of securities held to maturity	-	1
	<u>\$ 567,156</u>	<u>\$ 576,362</u>

28. Principal items comprising the statement of operations

The principal items comprising the consolidated statements of operations for the years ended 2011 and 2010:

Operating segments	2011		2010	
	Amount	%	Amount	%
Financial broker:				
Assets	\$ 7,097	2	\$ 15,359	5
Liabilities	10,028	3	16,627	6
Income	361	1	552	3
Expenses	412	2	629	3
First Tier banking:				
Assets	25,908	8	22,803	8
Income	1,886	8	1,630	8
Expenses	284	1	346	2
Second Tier banking:				
Assets	82,052	24	82,387	28
Income	6,270	26	5,265	27
Expenses	1,033	4	855	5
Investment banking:				
Assets	219,485	65	168,960	57
Liabilities	307,382	96	259,748	93
Income	14,777	61	11,411	59
Expenses	17,900	76	13,419	74

Operating segments	2011		2010	
	Amount	%	Amount	%
Other segments:				
Assets	\$ 5,272	1	\$ 4,986	2
Liabilities	4,055	1	1,768	1
Income	937	4	332	3
Expenses	3,777	17	2,901	16
Total Institution:				
Assets	339,814	100	294,495	100
Liabilities	321,465	100	278,143	100
Income	24,231	100	19,190	100
Expenses	<u>23,406</u>	100	<u>18,150</u>	100
Total income	<u>\$ 825</u>		<u>\$ 1,040</u>	

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

The operational segment comprising the operations in which the Institution participates as the Financial Agent of the Federal Government represents 2% of total assets, 3% of liabilities, 1% of revenues and 2% of expenses.

First tier banking operations represent 8% of the Institution's assets, 8% of revenues and 1% of its expenses.

The second tier banking segment represents 24% of the Institution's assets, 26% of revenues and 4% of its expenses, and refers to the resources channeled through IFB and IFNB mainly for micro, small and medium companies.

The investment banking section, which represents 65% of the Institution's assets, 96% of liabilities, 61% of revenues and 76% of its expenses, refers to the business performed in the money market and Mexican and international capital markets with proprietary resources, corporate treasuries, investments of the FDMV and the participation of public and private companies in venture capital.

29. Comprehensive result

Below we present the determination of the Institution's comprehensive result for 2011 and 2010:

	2011	2010
Net result for the year	\$ 825	\$ 1,040
Effect of items recognized in stockholders' equity that did not affect results:		
Result from valuation of securities available for sale	45	14
Result from conversion of foreign operations		9
Effects of valuation in associated and affiliated companies	(31)	(156)
Result from holding nonmonetary assets due to valuation of permanent investments in shares		(13)
Non controlling interest	158	19
Result from valuation of cash flow hedge instruments	<u>172</u>	<u>-</u>
Comprehensive result	<u>\$ 997</u>	<u>\$ 913</u>

30. Capitalization ratio

At the close of December 2011, the capitalization ratio was 15.14%, which is based on net capital of \$16,823 and assets adjusted for total risks of \$111,149.

a. Basic and Complementary Capital

At the close of December 2010, the Institution's net capital is \$16,150 and complementary capital of \$673

Stockholders' equity			<u>\$ 17,376</u>
Investments in shares of finance companies and their holding companies:		<u>593</u>	
Investment companies and funds, related to their fixed capital and their holding companies	53		
Other national finance companies	2		
Direct investments in foreign finance companies	538		
Investments in shares of companies		<u>633</u>	
Venture capital	633		
Limited purpose and equity investment funds with participation of over 15% in the investment fund	-		
Intangibles and items involving deferred application of expenses and costs in the Institution's capital		<u>-</u>	
Intangibles of any kind	-		
Items involving deferred application of expenses and costs in capital			
Intangibles of any kind	-		
Total basic capital			<u>16,150</u>
Allowances for loan losses recorded as complementary capital		<u>673</u>	
Complementary capital			<u>673</u>
Net capital			<u>\$ 16,823</u>

b. **Assets adjusted for Market Risks**

The Assets Adjusted for Market Risks is up to \$44,621 and is equivalent to a capital requirement of \$3,570.

Concept	Amount of equivalent positions	Capital requirement
Foreign currency transactions at a nominal rate	\$ 9,535	\$ 763
Mexican peso transactions with spread	15,177	1,214
Transactions at a real rate	14,960	1,197
Foreign currency transactions at a nominal rate	1,540	123
Transactions with a rate referenced to the minimum wage	-	-
Positions in UDIs with returns referenced to the INPC	60	5
Positions in foreign currency or with returns indexed to the exchange rate	72	6
Positions in transactions referenced to the minimum-wage	<u>3,277</u>	<u>262</u>
Total	<u>\$ 44,621</u>	<u>\$ 3,570</u>

c. **Assets adjusted for Credit Risks**

The assets adjusted for credit risks are \$59,120 and equal a capital requirement of \$4,730.

Concept	Risk-weighted assets	Capital requirement
Group I	\$ -	\$ -
Group II	-	-
Group III	8,907	713
Group IV	2,044	164
Group V	-	-
Group VI	174	14
Group VII	31,265	2,500
Group VIII	-	-
Group IX	2,790	223
Credit transactions	45,180	3,614
Derivatives transactions and repurchase agreements	369	30
Issuers of debt securities in position	2,745	220
For securities and credit lines granted and securitizations	2,198	176
Permanent investments and other assets	1,198	96
Derivatives transactions and repurchase agreements	<u>7,430</u>	<u>594</u>
Total credit risks	<u>\$ 59,120</u>	<u>\$ 4,730</u>

d. **Operational Risk-adjusted assets**

The operational risk-adjusted assets amounted to \$ 7,408 and are equivalent to a capital of \$ 593

Risk management and follow-up

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

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

Discretionary quantifiable risks

Market Risks-

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

General principles may be summarized as follows:

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

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

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

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

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

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

The amount of the average market Value at Risk of the period is MX \$33.547million, representing 0.20% of net capital as of December 2011.

Markets
VaR \$33.547

Trading
VaR \$31.549

Treasury
VaR \$1.998

Management of assets and liabilities-

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

Liquidity Risk-

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

- Market liquidity risk: This is the possibility of economic loss due to the difficulty of selling or covering assets without a significant reduction in their price. This type of risk arises as a result of drastic movements in interest rates, when major positions are adopted in one or more instruments or investments are made in markets or instruments for which there is no broad market supply and demand.
- Funding liquidity risk: This represents the difficulty faced by an institution in obtaining the necessary resources to meet its obligations, either through revenues generated by its assets or the assumption of new liabilities. This type of crisis is generally due to a drastic and sudden deterioration in the quality of the assets, which makes it very hard to convert them into liquid resources.

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

Maturity profile in national currency

Active and passive operations in domestic currency increased 3.5% during the fourth quarter of 2011 to stand at the end of December at \$ 333,179, due to increased investments in trading securities, the credit portfolio and recruitment by reported way.

Maturity bands	sep-11						dec-11					
	Assets		Liabilities		Gap	Assets		Liabilities		Gap		
Up to 7 days	\$ 30,784	7.7%	\$ 188,974	51.7%	(158,190)	\$ 15,263	4.6%	\$ 212,554	63.9%	(197,291)		
Up to 15 days	7,102	4.7%	17,459	8.6%	(10,357)	4,910	1.5%	16,807	5.0%	(11,898)		
Up to 22 days	5,055	1.5%	9,226	7.6%	(4,171)	4,695	1.4%	17,722	5.3%	(13,027)		
Up to 1 month	6,930	1.5%	34,263	6.4%	(27,333)	6,219	1.9%	23,416	7.0%	(17,197)		
Up to 1 month and 15 days	6,173	1.8%	7,377	4.7%	(1,204)	5,694	1.7%	6,823	2.0%	(1,129)		
Up to 2 month	10,803	2.0%	6,935	0.5%	3,869	6,778	2.0%	3,406	1.0%	3,371		
Up to 3 month	12,484	3.0%	5,719	1.8%	6,765	8,486	2.5%	3,722	1.1%	4,765		
Up to 4 month	8,695	2.9%	4,960	2.7%	3,735	6,486	2.0%	2,190	0.7%	4,296		
Up to 5 month	4,190	1.5%	3,654	0.4%	536	3,671	1.1%	9,596	2.9%	(5,924)		
Up to 6 month	4,539	1.6%	322	0.0%	4,217	4,310	1.3%	-	0.0%	4,310		
Later	223,975	71.4%	25,289	9.7%	198,687	265,334	79.6%	18,650	5.6%	246,684		
No defined maturity	<u>1,206</u>	<u>0.4%</u>	<u>17,758</u>	<u>6.0%</u>	<u>(16,552)</u>	<u>1,333</u>	<u>0.4%</u>	<u>18,293</u>	<u>5.5%</u>	<u>(16,960)</u>		
Total	<u>\$ 321,936</u>	<u>100.0%</u>	<u>\$ 321,936</u>	<u>100.0%</u>		<u>\$ 333,179</u>	<u>100.0%</u>	<u>\$ 333,179</u>	<u>100.0%</u>			

The negative liquidity gap in the horizon of one month amounts to \$ 239,412, \$ 39,361 higher level than that recorded in the previous quarter by 200,051. Note that if you separate the positions of trading, the spread narrows to \$ 64,461 and this amount the liquidity gap in the banking in local currency, of which over half is managed fundraising that comes from a base stable and diversified customer



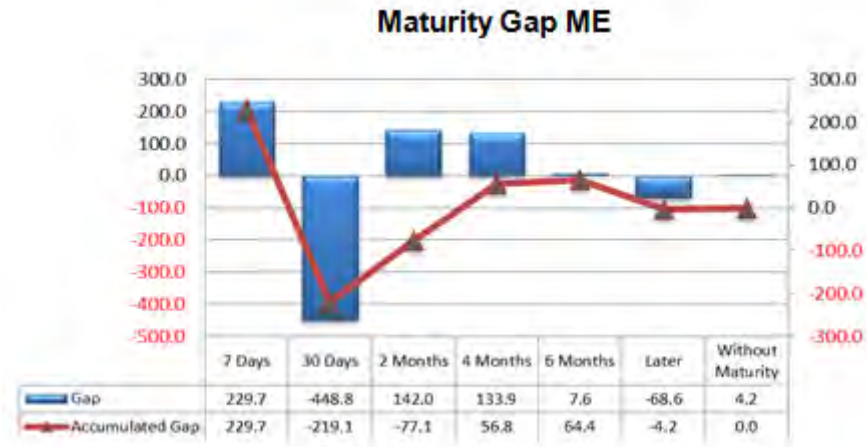
9.3% of assets and 81.2% of liabilities will expire during January 2012.

Maturity profile in foreign currency

Active and passive operations in foreign currency registered a reduction of 27% in the trimester, resulting from changes in the carry trade and the peso-dollar short-term uptake (time deposits and certificates of deposit).

Maturity bands	sep-11				dic-11			
	Assets		Liabilities	Gap	Assets		Liabilities	
Up to 7 days	\$ 430.9	20.6%	\$ 490.3	23.4%	\$ 300.1	19.5%	\$ 70.4	4.6%
Up to 15 days	329.1	15.7%	438.3	20.9%	119.8	7.8%	350.4	22.8%
Up to 22 days	281.6	13.4%	388.9	18.6%	177.9	11.6%	303.7	19.8%
Up to 1 month	337.6	16.1%	251.5	12.0%	96.1	6.3%	188.5	12.3%
Up to 1 month and 15 days	95.4	4.6%	68.7	3.3%	153.8	10.0%	106.0	6.9%
Up to 2 month	45.4	2.2%	19.8	1.0%	95.0	6.2%	0.8	0.1%
Up to 3 month	68.9	3.3%	6.2	0.3%	126.0	8.2%	8.3	0.5%
Up to 4 month	60.9	2.9%	33.0	1.6%	16.5	1.1%	0.2	0.0%
Up to 5 month	11.9	0.6%	28.2	1.3%	8.4	0.5%	-	0.0%
Up to 6 month	6.4	0.3%	4.3	0.2%	6.7	0.4%	7.6	0.5%
Later	404.8	19.3%	365.5	17.4%	416.1	27.1%	484.6	31.5%
No defined maturity	21.6	1.0%	0.0	0.0%	20.0	1.3%	15.8	1.0%
Total	\$ 2,094.5	100.0%	\$ 2,094.7	100.0%	\$ 1,536.4	100.0%	\$ 1,536.3	100.0%

According to the contractual maturity of assets and liabilities in foreign currency and based on the balance sheet figures at the end of December 2011 shows that in the next 7 days there will be a liquidity surplus of 230 MDD.



Estimate of results on advanced sales

To comply with the provisions of Article 81 in Subsection A, Section Four, Chapter IV “Risk Management” of the Sole Bank Circular, below is an estimate of the results on the advanced sale of assets in regular conditions and extreme scenarios.

In regular conditions, the advanced sale of corporate assets within the Mexican peso trading and held to maturity portfolios as of December 31, 2011, would result in a gain of \$20.5 and \$15.6, respectively. Considering the crisis scenarios, a similar situation as of September 11, 2001 would result in a loss of \$32.9 equal to 0.97% of the value of this position.

Position	Portfolio	Normal Conditions	Crisis Scenarios					
			21-Dec-94	25-Aug-98	11-Sep-01	19-Sep-02	28-Apr-04	16-Oct-08
\$ 2,697.7	Trading	\$ 20.5	\$ 1.7	\$ 5.1	\$ (18.2)	\$ 15.3	\$ 13.4	\$ 5.1
<u>694.8</u>	Held to maturity	<u>15.6</u>	<u>(7.5)</u>	<u>(10.0)</u>	<u>(14.7)</u>	<u>(1.2)</u>	<u>1.2</u>	<u>1.2</u>
<u>\$ 3,392.5</u>	Total	<u>\$ 36.1</u>	<u>\$ (5.8)</u>	<u>\$ (4.9)</u>	<u>\$ (32.9)</u>	<u>\$ 14.1</u>	<u>\$ 14.6</u>	<u>\$ 6.3</u>

Normally, the advance sale of assets at the end of December 2011 the portfolio available for sale on Grand Cayman have generated a profit of \$ 32.6, while the sale of bonds held to maturity, London and Grand Cayman have resulted in a profit of \$ 122.2. In considering scenarios of crisis, a situation similar to October 16, 2008 may cause a loss of \$ 58.4, equivalent to 1.8% of the value of the position.

Position	Portfolio	Normal Conditions	Crisis Scenarios					
			21-Dec-94	12-Oct-98	12-Sep-01	19-Sep-02	10-May-04	16-Oct-08
\$ 2,159.2	Trading	\$ 32.7	\$ (183.5)	\$ (23.3)	\$ (6.3)	\$ (8.2)	\$ (7.8)	\$ (26.3)
<u>1,088.7</u>	Held to maturity	<u>122.2</u>	<u>(264.0)</u>	<u>(19.9)</u>	<u>(11.3)</u>	<u>(6.1)</u>	<u>(10.8)</u>	<u>(32.1)</u>
<u>\$ 3,247.9</u>	Total	<u>\$ 154.9</u>	<u>\$ (447.5)</u>	<u>\$ (43.2)</u>	<u>\$ (17.6)</u>	<u>\$ (14.3)</u>	<u>\$ (18.6)</u>	<u>\$ (58.4)</u>

Credit Risk

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

Expected Loss

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

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

- The overdue portfolio is not considered because the default event occurred in it.
- The former employees' portfolio is excluded in order to directly measure the effect of the expected losses in the portfolio with private-sector risk.
- The contingent credit portfolio of Trust 11480 is not considered because this Trust is responsible for managing its credit risk.
- Additional reserves are not included.

Given the above, as of December 31, 2011, the total portfolio is \$117,056, the credit portfolio's expected loss is \$1,947, equivalent to 1.66% of the classified portfolio and 1.66% of the total portfolio.

Portfolio	Estimate of expected losses (millions of pesos)		
	Loan portfolio balances	Expected loss	% expected loss
Exempted	\$ 7,348	\$ -	
Risk A	90,462	674	0.74%
Risk B	19,135	1,169	6.11%
Risk C	11	5	39.99%
Risk D	-	-	-
Risk E	<u>100</u>	<u>100</u>	<u>100.00%</u>
Classified	<u>109,708</u>	<u>1,948</u>	<u>1.78%</u>
Total	<u>\$ 117,056</u>	<u>\$ 1,948</u>	<u>1.66%</u>

Unexpected Losses

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

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

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

- The similarity in concepts between the economic methodology proposed and the credit risk capital requirement estimated under the basic approach of Basel II. This approach allows banks to estimate the necessary capital requirement to support their risk using internal methods.
- The high levels of correlation and similarity in the average capital requirement observed during one year of internal application of the unexpected loss methodologies proposed for the credit portfolio.

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

At the close of December 2011, the estimate of the unexpected loss under the economic approach is \$9,770. By the same token, the credit VaR is \$10,650 and represents 9.67% of the portfolio at risk.

Counterparty risk and diversification-

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

At the close of December 2011

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

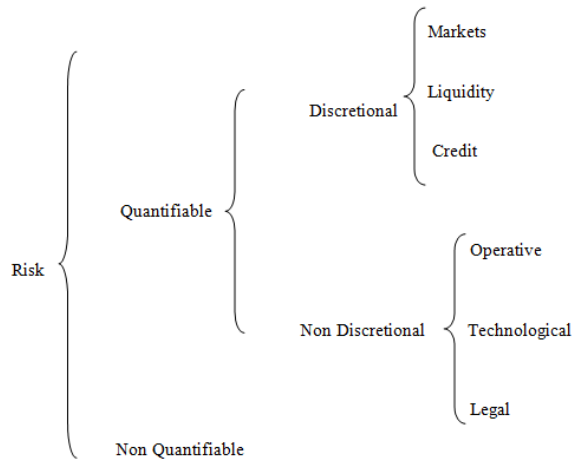
The following loans exceed 10% of basic capital at the individual level:

Number of loans	Total amount	Percentage of capital
19	84,939	543.1%

The amount of financing with the three largest debtors or, as the case may be, groups of persons representing common risk, is \$25,011.

Operative Risk

Based on the General Provisions Applicable to Credit Institutions, the CNBV establishes a basic classification for different types of risks they are exposed to credit institutions:



Qualitative Analysis

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

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

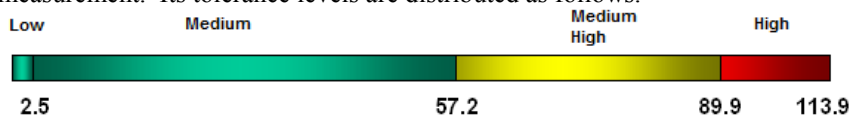


The result obtained from the Institution's 20 most relevant processes at the close of December 2011 is as follows:

HERO Id process	Name of process */	Nature indicator	Tolerance level
9	Custody and handling of securities	73.46	High Risk
26	Foreign exchange	70.82	High Risk
43	Money market	67.75	High Risk
11	Flow of funds	66.29	High Risk
15	Cashier	63.81	Medium High Risk
20	Treasury	62.64	Medium High Risk
31	Financial agent	58.7	Medium High Risk
1	Capital	56.31	Medium High Risk
3	Expense operation	52.62	Medium High Risk
65	Second-tear IFNBs	51.7	Medium High Risk
8	Fiduciary	49.85	Medium High Risk
54	IFBs	48.89	Medium High Risk
29	Safekeeping of securities	47.87	Medium High Risk
60	Recovery former employees	47.68	Medium High Risk
17	M.D.C.	46.88	Medium High Risk
58	Guarantees	43.09	Medium High Risk
59	First-tear	42.71	Medium High Risk
37	First-tear and emerging	40.4	Medium High Risk
7	Alternate channels	39.05	Medium High Risk
62	Acquisition goods and services for Nacional Financiera, S.N.C.	34.74	Medium High Risk

***/ The higher the point score, the more critical the process**

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



The result obtained from the Institution's 20 most relevant processes at the close of December 2011 is as follows:

HERO Id process	Name of process	Nature indicator */	Tolerance level
30	Accounting-markets	33.10	Medium Risk
29	Safekeeping of securities	27.55	Medium Risk
11	Flow of funds	27.13	Medium Risk
141	Financial Agent - Front Office	23.86	Medium Risk
8	Fiduciary	21.82	Medium Risk
7	Alternate channels	21.64	Medium Risk
31	Financial Agent - Back Office	21.23	Medium Risk
140	Information and Credit Administration Record	20.26	Medium Risk
20	Treasury	19.09	Medium Risk
1	Capital	17.94	Medium Risk
17	M.D.C.	17.83	Medium Risk
15	Cashier	17.07	Medium Risk
3	Expense operation	16.26	Medium Risk
58	Guarantees	16.08	Medium Risk
37	First-year and emerging.	14.96	Medium Risk
62	Acquisition goods and services, S.N.C.	14.57	Medium Risk
26	Foreign exchange	13.96	Medium Risk
43	Money market	13.54	Medium Risk
9	Custody and handling of securities	13.03	Medium Risk
59	First-tear Recover	11.46	Medium Risk

***/ The higher the point score, the more critical the process**

Quantitative Analysis

During the fourth quarter of 2011, 14 loss events have been recorded in the books with a probable economic effect of \$72, integrated as follows:

Month	Currency	Frecuency	Probable Economic Impact
October	MXP	3	72
November	MXP	7	0
Dicember	MXP	4	0
Third quarter close		<u>14</u>	<u>72</u>

Technology Risk Management

During the fourth quarter of 2011, the monthly behavior of technology risk indicators was as follows:

Id TR Indicator	Description of TR Indicator	Measurement unit	Target	Target Result Oct'11	Target Result Nov'11	Target Result Dec'11
1	Access security level to Nafinsa network	No hacking of critical mission equipment	100.00%	100.00%	100.00%	100.00%
2	Stopping and blocking viruses in Nafinsa network	No effect on critical mission equipment	100.00%	100.00%	100.00%	100.00%
3	Availability level of critical services	Availability percentage	99.00%	99.89%	99.91%	100.00%
4	Recovery of services under simulated contingency for disaster	Availability percentage	100.00%	100.00		
5	Availability level of noncritical services	Availability percentage	97.00%	100.00%	100.00%	100.00%

Legal Risk-

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

Recording of Potential Losses for Legal Risk

	Contingency	%	Provision	%	Results
Total (1+2+3+4)	514.24	10.64%	(54.73)	43.37%	23.73
1) Labor issues	42.10	90.81%	(38.24)	28.64%	10.95
2) Portfolio in legal proceedings	65.46	0.00%	(2.53)	0.00%	0.65
3) Trusts	406.68	3.43%	(13.96)	86.84%	12.13
4) Treasury and Operations Stock market	-	-	-	-	-

* Figures in U.S. dollars, valued at the exchange rate of: 13.9476

Significant Notes

1. The provisions of the Labor portfolio reports the amount of (\$ 38.24), with a variation in the provision for an amount of (\$ 0.44), is derived from the update of the records and contingencies.

2. The provision of the Litigation Portfolio is composed of civil, tax and administrative provisions and other movements, for a total amount of (\$2.53), the portfolio showed a variation of \$ 1,023 due to cancellation of character judgments Civil, Fiscal and Administrative.
3. The provision of Trust reporting a total of (\$ 13.96) was unchanged, although there was variation in the amount of contingency (\$ 37.42) referred to the cancellation of judgments.

Conclusion: Accordingly, there is a provision of (\$54.73) and an effect in results of \$23.73 with figures at the close of the fourth quarter of the year.

Unquantifiable Risks

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

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

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

Inventory	Control measures	Economic effects
Net assets	Institutional Program to Secure Net Assets.	Payment of premiums
Foreclosed assets	Institutional Program to Secure Net Assets.	Deductible if they materialize.

30. Reissuance of financial statements

The Institution recognized in its financial statements the consolidation of the information as of December 31, 2010 of Trust 11480 Trust Fund for Risk Equity, to make it comparable to the figures as of December 31, 2011.

Considering the significance and impact on the Institution's financial statements of the Guarantee Program established by the Institution, whose control and recording is reflected in the accounting of the Trust 11480 Trust Fund for Risk Equity, its effect on the consolidation of the financial information as of December 31, 2011 was recognized and, for comparison purposes, the consolidated financial statements as of December 31, 2010 were reissued.

Accordingly, the Institution retrospectively applies Criterion C-5 "Consolidation of special purpose entities", (which became effective in 2009, and provides its application to special purpose entities created as of that date).

The 2010 financial statements were reissued, as follows:

	Original	Restated	As adjusted
Balance Sheet			
Asset			
Allowance for loan losses	\$ (2,241)	\$ (2,372)	\$ (131)
Other receivables (net)	2,444	2,456	12
Other investments (net)	4,497	44	(4,453)
Liabilities			
Money market	118,758	115,967	(2,791)
Other accounts payable:	2,382	601	(1,781)
Memorandum accounts			
Contingent assets and liabilities	30,089	23,862	(6,227)
Property held in trust or under mandate	339,059	339,234	175
Other record accounts	589,333	576,362	(12,971)
Statements of Operations			
Interest income	17,154	17,183	29
Interest expense	(13,755)	(13,650)	105
Provision for loan losses	(960)	(961)	(1)
Commission and fee income	595	1,350	755
Other operating income (expenses)	(428)	(421)	7
Equity in results of associated companies	886	(9)	(895)
Statement of Cash Flows			
Allowance for loan losses	960	961	1
Share in net income of associated companies	(886)	9	895
Change in loan portfolio	(12,224)	(12,223)	1
Change in other operating assets	(391)	(400)	(9)
Change in deposits	6,332	5,426	(906)
Change in other operating liabilities	960	978	18

31. New accounting principles

As part of its efforts to make Mexican standards converge with international standards, in 2011, the Mexican Board for Research and Development of Financial Information Standards (“CINIF”) issued the following Mexican Financial Reporting Standards (NIFs), Interpretations to Financial Information Standards (INIFs) and improvements to NIFs, which will become effective as of January 1, 2012:

- B-3, Statement of Comprehensive Income (Loss)
- B-4, Statement of Changes in Stockholders' Equity
- C-6 Property, Plant and Equipment
- Improvements to Mexican Financial Reporting Standards 2012

Some of the most important changes established by these standards are:

NIF B-3 - Statement of Comprehensive Income (Loss) provides the options of presenting a) a single statement containing the items that make up net income (loss), as well as other comprehensive income (OCI) and equity in OCI of other entities and be named statement of comprehensive income (loss), or b) two statements: the statement of income (loss), which should include only items that make up net income (loss) and the statement of other comprehensive income (loss), which should start from net income (loss) and immediately present OCI items and equity in OCI of other entities. In addition, NIF B-3 establishes that items should not be separately presented as non-ordinary in the financial statement or the notes to the financial statements.

NIF B-4, Statement of Changes in Stockholders' Equity- establishes the general rules for the presentation and structure of the statement of changes in stockholders' equity, such as showing retroactive adjustments due to accounting changes and correction of errors that affect the beginning balances of stockholders' equity and presenting comprehensive income (loss) in a single line item, providing a detail of all items making it up, according to the NIF B-3.

NIF C-6, Property, Plant and Equipment- establishes the obligation to depreciate components that are representative of an item of property, plant and equipment, regardless of depreciating the rest of the item, as if it were a single component.

Improvements to Mexican Financial Reporting Standards 2012.- The main improvements that generate accounting changes that should be recognized retroactively in fiscal years beginning on January 1, 2012 are:

Bulletin B-14, Earnings per Share, states that diluted earnings per share should be calculated and disclosed when the result from continuing operations is a loss, regardless of whether net income is reported.

NIF C-1, Cash and Cash Equivalents, requires that cash and restricted cash equivalents be presented in the balance sheet at short term, provided such restriction expires within 12 months from the balance sheet date; if the restriction expires at a later date, this line item should be presented under long-term assets.

Bulletin C-11, Stockholders' Equity, eliminates the rule to record donations received by an entity, as part of capital contributions, which, according to NIF B-3, Statement of Income, should be recorded as revenue in the statement of income.

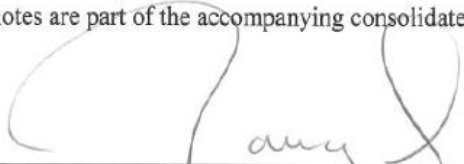
Bulletin C-15, Accounting for Impairment and Disposal of Long-lived Assets, eliminates: a) the restriction that an asset be not in use to classify it as available-for-sale, and b) the reversal of goodwill impairment losses. It also establishes that impairment losses in the value of long-lived assets be presented in the statement of income under the corresponding cost and expense line items and not under other income and expenses, or as a special item.

NIF D-3, Employee Benefits, requires that current and deferred PTU be presented in the statement of income under the corresponding cost and expense line items and not under other income and expenses.


Also, other Improvements to Mexican Financial Reporting Standards 2012 were issued that do not generate accounting changes and which require further disclosures about key assumptions used in the estimates and valuation of assets and liabilities at fair value, that might give rise to significant adjustments to such values in the next accounting period.

At the date of issuance of these consolidated financial statements, the Institution is in the process of determining the effects of these criteria and standards on their financial information.

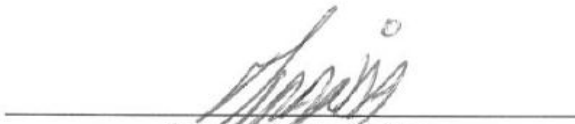
These notes are part of the accompanying consolidated financial statements.




Ing. Héctor A. Rangel Domene
Chief Executive Officer



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



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



Lic. Arlette Ruiz Mendoza
Head of Internal Control Area in
Nacional Financiera, S.N.C.

“Reyna Clementina Uribe Bruno, Head of the Area of Responsibilities of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D. (A), signs on behalf of the Head of the Internal Control Area in Nacional Financiera, S.N.C., I.B.D., in conformity with Article 88, Paragraph 2 of the Internal Regulations of the Civil Service Department, and official letter 06/780/ 045 /2012 dated February 3, 2012.”

* * * * *



ANNEX C

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Gustavo Camarena Salinas

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ANNEX D

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