

**Banco Monex, S.A., Institución de
Banca Múltiple, Monex Grupo
Financiero and Subsidiaries**
(Subsidiary of Monex Grupo Financiero,
S.A. de C.V.)

Consolidated Financial Statements for
the Years Ended December 31, 2012
and 2011, and Independent Auditors'
Report Dated February 28, 2013

**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero and Subsidiaries
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)**

Independent Auditor's Report and Consolidated Financial Statements for 2012 and 2011

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Independent Auditors' Report to the Board of Directors and Stockholders of Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero and Subsidiaries

We have audited the accompanying consolidated financial statements of Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero and subsidiaries (the "Institution"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility in relation to the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting criteria established by the National Banking and Securities Commission (the "Commission") set forth in the "General Provisions Applicable to Credit Institutions" (the "Provisions"), and for such internal controls as management deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Responsibility of the Auditors

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements of the Institution in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects the financial position of Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero and subsidiaries as of December 31, 2012 and 2011, and their financial performance and their cash flows for the years then ended in accordance with the accounting criteria of the Commission

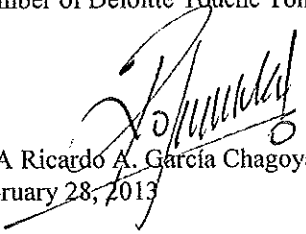
Emphasis of matters

As discussed in Note 1, the Institution acquired Schneider Foreign Exchange Limited in a transaction that was accounted for as a business combination. Our opinion is not qualified in respect of this matter.

Other matter

The accompanying consolidated financial statements have been translated in to English for the convenience of readers.

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


CPA Ricardo A. García Chagoyán
February 28, 2013

**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero and Subsidiaries**
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)

Consolidated Balance Sheets

As of December 2012 and 2011
(In millions of Mexican pesos)

Assets	2012	2011
Funds available	\$ 14,460	\$ 6,363
Margin accounts	534	350
Investment in securities:		
Trading securities	10,436	8,297
Securities available for sale	<u>15</u>	<u>334</u>
	10,451	8,631
Repurchase agreements	-	149
Derivatives:		
Held for trading	<u>575</u>	<u>220</u>
	575	220
Performing loan portfolio:		
Commercial loans -		
Commercial or financial activity	2,721	2,275
Financial entities loans	647	690
Government entities loans	<u>42</u>	<u>81</u>
Total performing loan portfolio	3,410	3,046
Housing loans	<u>1,129</u>	<u>602</u>
Total performing loan portfolio	4,539	3,648
Non-performing loan portfolio:		
Commercial loans -		
Commercial or financial activity	<u>38</u>	<u>62</u>
Total non-performing portfolio	<u>38</u>	<u>62</u>
Total loan portfolio	4,577	3,710
Allowance for loan losses	<u>(84)</u>	<u>(67)</u>
Loan portfolio (net)	4,493	3,643
Other receivables (net)	11,120	13,226
Foreclosed assets (net)	2	2
Furniture and fixtures (net)	81	77
Investments in associates and other	14	13
Deferred income taxes	36	-
Other assets:		
Goodwill	675	483
Deferred charges, advance payments and intangibles (net)	980	345
Other assets	<u>5</u>	<u>3</u>
	1,660	831
Total assets	\$ 43,426	\$ 33,505

Liabilities	2012	2011
Deposits:		
Demand deposits	\$ 3,813	\$ 3,106
Time deposits-		
General public:		
Money market	2,437	1,239
Debt securities	<u>794</u>	<u>107</u>
	7,044	4,452
Bank and other loans:		
Demand loans	2,811	454
Short-term loans	<u>337</u>	<u>287</u>
	3,148	741
Creditors under sale and repurchase agreements	8,309	6,393
Collateral sold or pledged in guarantee		
Repurchase (credit balance)	2	-
Derivatives:		
Held for trading	<u>554</u>	<u>362</u>
	554	362
Other payables:		
Income taxes payables	18	76
Employee profit sharing payables	10	8
Creditors from settlement of transactions	18,596	16,258
Sundry creditors and other payables	<u>1,549</u>	<u>2,565</u>
	20,173	18,907
Deferred taxes (net)	-	9
Deferred charges and received in advance income	<u>25</u>	<u>14</u>
Total liabilities	39,255	30,878

Stockholders' equity

Paid-in capital:		
Capital stock	<u>1,525</u>	<u>935</u>
	1,525	935
Earned capital:		
Capital reserves	229	158
Retained earnings	1,007	653
Result from valuation of securities available for sale, net	-	154
Currency translation adjustment	9	25
Net income	<u>841</u>	<u>702</u>
	2,086	1,692
Minority Interest	<u>560</u>	<u>-</u>
Total stockholders' equity	4,171	2,627
Total liabilities and stockholders' equity	\$ 43,426	\$ 33,505

Memorandum accounts (See Note 28)

	2012	2011
Loan commitments	\$ 5,930	\$ 5,597
Goods in trust or mandate -		
Held in trusts	41,627	21,700
Collateral received	525	156
Collateral received and sold or pledged as guarantee	525	6
Uncollected interest earned on non-performing loan portfolio	11	27
Other record accounts	<u>2,428</u>	<u>2,564</u>
	<u>\$ 51,046</u>	<u>\$ 30,050</u>

The accompanying notes are part of these consolidated financial statements.

**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero and Subsidiaries**
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)

Consolidated Statements of Income

For the years ended December 31, 2012 and 2011

(In millions of Mexican pesos)

	2012	2011
Interest income	\$ 987	\$ 572
Interest expense	(615)	(338)
Financial margin	372	234
Provision for loan losses	(37)	(48)
Financial margin after provision for loan losses	335	186
Commission and fee income	193	196
Commission and fee expense	(151)	(104)
Intermediation result	3,134	2,851
Other operating expenses	138	29
Administrative and marketing expense	(2,390)	(2,119)
Total operating income	1,259	1,039
Equity in results of unconsolidated subsidiaries and associated companies	-	-
Income before current and deferred income taxes	1,259	1,039
Current income taxes	(335)	(370)
Deferred income taxes (net)	(76)	33
	(411)	(337)
	848	702
Minority interest	(7)	-
Net income	\$ 841	\$ 702

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

**Banco Monex, S.A., Institución de Banca Múltiple,
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Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2012 and 2011

(In millions of Mexican pesos)

	Capital contributed		Earned capital							
	Capital stock	Contributions for future capital increases pending	Capital reserves	Retained earnings	Result from valuation of securities available for sale, net	Result from valuation of cash flow hedge instruments, net	Currency translation adjustment	Net income	Minority Interest	Total stockholders'
Balances as of December 31, 2010	\$ 834	\$ 101	\$ 104	\$ 165	\$ 232	\$ 17	\$ (2)	\$ 539	-	\$ 1,990
Entries approved by stockholders -										
Transfer of prior year result	-	-	54	485	-	-	-	(539)	-	-
Capital increase approved by the authority	101	(101)	-	-	-	-	-	-	-	-
Total entries approved by stockholders	101	(101)	54	485	-	-	-	(539)	-	-
Comprehensive income -										
Result from valuation of securities available for sale, net	-	-	-	-	(78)	-	-	-	-	(78)
Transfer of cash flow hedge valuation to trading purposes	-	-	-	-	-	(17)	-	-	-	(17)
Adjustment for valuation of investments in subsidiaries	-	-	-	3	-	-	-	-	-	3
Cumulative translation adjustment	-	-	-	-	-	-	27	-	-	27
Net income	-	-	-	-	-	-	-	702	-	702
Total comprehensive income	-	-	-	3	(78)	(17)	27	702	-	637
Balances as of December 31, 2011	935	-	158	653	154	-	25	702	-	2,627
Entries approved by stockholders -										
Increase in share capital and paid shares	590	-	-	-	-	-	-	-	-	590
Capital reserve	-	-	71	(71)	-	-	-	-	-	-
Transfer of prior year result	-	-	-	702	-	-	-	(702)	-	-
Dividends declared	-	-	-	(276)	-	-	-	-	-	(276)
Total entries approved by stockholders	590	-	71	355	-	-	-	(702)	-	314
Comprehensive income -										
Result from valuation of securities available for sale, net	-	-	-	-	(154)	-	-	-	-	(154)
Transfer of cash flow hedge valuation to trading purposes	-	-	-	-	-	-	-	-	-	-
Cumulative effect from conversion of Foreign subsidiaries	-	-	-	-	-	-	(16)	-	-	(16)
Non-controlling interest related to the acquisition of the net assets of Monex Europe	-	-	-	(1)	-	-	-	-	553	552
Net income	-	-	-	-	-	-	-	841	7	848
Total comprehensive income	-	-	-	(1)	(154)	-	(16)	841	560	1,230
Balances as of December 31, 2012	\$ 1,525	\$ -	\$ 229	\$ 1,007	\$ -	\$ -	\$ 9	\$ 841	\$ 560	\$ 4,171

The accompanying notes are part of these consolidated financial statements.

**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero and Subsidiaries**
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

(In millions of Mexican pesos)

	2012	2011
Net income	\$ 848	\$ 702
Adjustment for items that do not require cash flows		
Depreciation and amortization	39	44
Provisions	-	254
Current and deferred income taxes	411	337
Others	-	39
	<u>1,298</u>	<u>1,376</u>
Operating activities:		
Change in margin account	(184)	(196)
Change in investments in securities	(2,094)	(3,434)
Change in repurchase agreements, net	2,065	3,236
Change in derivatives, net	(163)	208
Change in loan portfolio	(850)	(1,404)
Change in other operating assets	2,373	(7,168)
Change in foreclosed assets	-	3
Change in traditional deposits	2,592	1,500
Change in bank and other loans	2,407	12
Change in other operating liabilities	857	7,902
	<u>(298)</u>	<u>-</u>
Net cash provided by operating activities	<u>8,003</u>	<u>2,035</u>
Investing activities:		
Proceeds from disposal of property, furniture and fixtures	-	1
Investment in shares	(1)	-
Payments for acquisition of furniture and equipment	(27)	(13)
Payments for improvements and adaptations	-	(134)
(Payments) proceeds for acquisition of foreign subsidiary	<u>(732)</u>	<u>29</u>
Net cash used in investing activities	<u>(760)</u>	<u>(117)</u>
Financing activities:		
Cash payment of dividends	(276)	-
Subscription of shares	590	-
Non-controlling interest	<u>552</u>	<u>-</u>
Net cash provided by financing activities	<u>866</u>	<u>-</u>
Net increase in funds available	8,109	1,918
Effects from changes in cash value	(12)	-
Funds available at the beginning of the year	<u>6,363</u>	<u>4,445</u>
Funds available at the end of the year	<u>\$ 14,460</u>	<u>\$ 6,363</u>

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

**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero and Subsidiaries
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011
(In millions of Mexican pesos)

1. Activities, regulatory environment and significant events

Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero and subsidiaries (hereinafter, the "Institution") is a subsidiary of Monex Grupo Financiero, S.A. de C.V. (hereinafter the "Financial Group") which holds 99.99% of its stockholders' equity. The Institution is regulated by, among others, the Law of Credit Institutions, the National Banking and Securities Commission (the "Commission") and Banco de México ("Central Bank"). Its purpose is to perform full-service banking transactions including, granting loans, performing securities transactions, receiving deposits, accepting loans, performing currency purchase-sale transactions and executing trust contracts.

The Treasury Department (SHCP) issued minimum capital requirements for credit institutions, which establish a minimum capital ratio for market, credit and operational risks incurred by financial institutions. Also, financial authorities imposed limits on liabilities and demand deposits in foreign currency charges to paid-in capital and capital reserves. This information is presented in Note 24. As of December 31, 2012 and 2011, the Institution determined a capital ratio of 20.38% and 19.30%, respectively, which includes the total of market, credit and operational risk, which exceeds the 8% required by the authorities by 12.36% and 11.30%, respectively.

Significant events in 2012-

a. Acquisition of Schneider Foreign Exchange Limited (SFE)-

- i. In accordance with the business strategy of the Holding Monex, S.A.P.I.B. de C.V. ("Holding Monex" or "Parent Company"), Holding Monex acquired, through a share sale agreement executed on July 2, 2012, all outstanding shares of Schneider Foreign Limited (currently doing business as Monex Europe Holdings, Ltd. "Monex Europe"), an company engaged in the purchase and sale of foreign currencies an carrying out and international payments, domiciled in London. Such entity was created under the jurisdictions of England and Wales, regulated by the Financial Services Authority, a nongovernment body sanctioned by the UK Treasury as an Authorized Payment Institution. Even though it is not a bank, it is engaged in the purchase and sale of foreign currency, payments and transfers of resources based on instructions received from customers.
- ii. This transaction was structured with the contribution by the Financial Group to the subsidiary Monex Negocios Internacionales S.A. de C.V. ("Monex Negocios"), which was used to acquire 50.1%, while the remaining 49.9% was acquired with proceeds from a contribution by Holding Monex. At the transaction date the payment of 32.4 million pounds sterling was made to the former shareholders and 20.2 million pounds sterling was deposited in an escrow account. While the price agreed between the parties depends on the financial performance of Monex Europe over the following three years, the first of three payments, which was 32.4 million pounds sterling, granted 100% title to the shares and was carried out on July 2, 2012.
- iii. The subsequent payments will be made during the month of May 2013 and 2015.
- iv. The transaction was structured as follows:

- i. Monex Grupo Financiero, S. A. de C. V., capitalized the Institution with a capital contribution of \$590, which in turn contributed \$580 for shares of common stock of Monex Negocios. With these resources, Monex Negocios made an equity contribution in Monex Europe Holdings Limited ("Monex Europe LTD") thereby acquiring 50.10% of Monex Europe LTD's common stock.
- ii. Monex Europe LTD's sole activity is the acquisition and holding of 100% of the common stock of Monex Europe. The acquisition of the 50.10% share of Monex Europe LTD, which as noted above was funded by a contribution made by the Institution, was acquired for 26.4 million pounds sterling, while the remaining 49.90%, which was acquired with proceeds from a contribution made by Holding Monex, represents an investment of 26.2 million pounds sterling, for a total of 52.6 million pounds sterling which is the total purchase price of Monex Europe.
- v. The final acquisition price of the shares plus taxes will be subject to the results of Monex Europe in the business years ending March 31, 2013 and 2015, composed as follows:
 - i. The first payment was at the signing date of the purchase and sale agreement, for the amount of 32.4 million pounds sterling, and was paid on July 2, 2012.
 - ii. A second payment to be determined based on the results of Monex Europe as of March 31, 2013 and to be paid in May 2013 for the approximate amount of 9.2 million pounds sterling.
 - iii. A final payment calculated in the same terms but based on the expected results as of March 31, 2015, to be paid in May 2015, for the approximate amount of 11.0 million pounds sterling.
 - iv. The amount of taxes is estimated at 0.1 million pounds sterling.
- vi. The escrow accounts will be released once the former shareholders comply with the conditions of the purchase and sale agreement, which may resort to Lloyds TSB Bank, PLC (depository), without the consent of the Institution.
- vii. The Commission authorized such transaction through Official notice 210-12223/2012 dated June 28, 2012.
- viii. The fair values of the identified assets of Monex Europe as of July 2, 2012, the acquisition date, are shown below (the exchange rate in effect on that date was 21.4278 Mexican pesos per pound sterling):

Monex Europe (Amounts in millions of Pesos)	July 2, 2012
Assets:	
Cash	\$ 395
Accounts receivable	144
Other assets	7
Liabilities:	
Current liabilities	376
Accounts payable	7
Deferred rent	1
Total net assets acquired	<u>\$ 162</u>
Estimated price of acquisition in pesos	<u>1,127</u>
Goodwill generated by the acquisition	<u>\$ 965</u>

- ix. As of December 31, 2012, the Institution has identified intangible assets in the acquisition of Monex Europe related to the sales force, relationships with credit institutions, the noncompete agreement and the software with which it performs operations. The fair values of such assets have been determined using a discounted cash flows approach.

The values determined for each asset are set forth below:

Goodwill before allocation of purchase price to other intangible assets:	\$	965
Sales force		(67)
Relationship with credit institutions		(401)
Software		(6)
Non-compete agreement		(161)
Total other intangible assets		(635)
Goodwill after allocation of purchase price to other intangible assets		330
Accounts receivable (1)		(97)
Effect of translation		(8)
Goodwill balance at December 31, 2012	\$	225

- (1) As Monex Europe's preliminary financial performance through the date of the agreement was below the estimated projections reflected in the original share purchase agreement, the conditions to release the second and subsequent payments were not fulfilled. Accordingly, the estimated acquisition price was therefore reduced to £48 million, which results in the recognition of an account receivable of \$97 (£4.6 million), which will be settled upon release of escrow.

- b. *Capitalization of Monex USA, Corp., (Monex USA)*- In accordance with management's business strategy, on December 20, 2012 the following transactions were carried out:
- The Institution granted a loan of US 29.9 million to Monex Negocios.
 - With the loan proceeds, Monex Negocios made a capital contribution for such amount to Monex USA.
 - Monex USA settled the total amount of the loan payable to the Institution.
- c. *Sale of shares of the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV)* - During the period from May through September 2012, the Institution sold on the Mexican stock market all the investments in securities of the BMV that held as of December 31, 2011. The securities were classified as available for sale with accumulated unrealized gains recognized in stockholders' equity. The cumulative sales price of the securities was \$365, while the total historical acquisition cost was \$44, thereby resulting in a profit of \$321, included in Intermediation income in the income statement.

2. Basis of presentation

Explanations 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 on the basis of accounting criteria prescribed by the Commission. Certain accounting practices applied by the Institution may not conform to accounting principles generally accepted in the country of use.

Monetary unit of the financial statements - The financial statements and notes as of December 31, 2012 and

2011 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

Consolidation of financial statements - The consolidated financial statements include the financial statements of Institution and those of its subsidiaries over which it exercises control. The shareholding percentage in their capital stock of such entities is shown below:

Company	Share holding percentage		Activity
	2012	2011	
1.Monex Servicios, S.A. de C.V. (Monex Servicios)	99.99%	99.99%	Provides supplemental and ancillary services to the Institution as per Article 88 of the Law for Credit Institutions. Monex Servicios is currently sub-leases to the Institution the premises and fixed assets of its branches.
2.Monex Negocios Internacionales, S.A. de C.V. (Monex Negocios)	99.99%	99.99%	Holding company of Monex USA and Monex Europe Holdings.
2.1 Monex USA, Corp. (Monex USA)	100%	100%	Holding company of Tempus.
2.1.1 Tempus, Inc. (before Tempus Consulting, Inc.)	-	100%	Indirect subsidiary of the Institution. Entity located in Washington D.C., USA, whose purpose is the purchase sale of currencies. Its customers are mainly located in the United States.
2.2 Monex Europe Holding Limited (Monex Europe LTD)	50.10%	-	Holding company of Monex Europe Holding Limited and Schneider Fx Europe Limited, entities located in United Kingdom.
2.2.1 Monex Europe	100%	-	Acquire is dedicated to forex trading in the European market.
2.2.2 Schneider Foreign Exchange Limited	100%	-	Entity without operations.

Significant intercompany balances and transactions have been eliminated.

- a. *Merger of Tempus Consulting Inc. (Tempus Consulting) and Monex USA* – As of December 31, 2012, the Directors of the Institution agreed to merge its foreign firm Tempus Consulting, Inc. (Tempus Consulting) with its holding company, Monex USA, Corp., which is also a foreign company which held 100% of the shares of Tempus Consulting. In this merger, the merged entity was named Tempus, Inc., (Tempus), entity incorporated and registered in the District of Colombia, by Certificate of Merger in accordance with the Laws of the District of Columbia in the United States of America. Prior to the merger, it was duly notified or approved, depending on applicable regulations, state financial authorities of the United States of America, and by the Commission. The objective of Monex USA is to serve as holding company for Tempus Consulting.
- b. *Tempus Merger with Monex Europe-UK* In order to establish an institutional presence in the UK, on August 17, 2012, the Directors of the Institution agreed to merge UK Tempus (Tempus Consulting subsidiary) with the latter being Monex Europe the merging entity.

- c. *Acquisition of Tempus Consulting* - The Institution acquired through a stock purchase agreement signed on April 14, 2010, all outstanding shares of Tempus Consulting organization, which operates in the United States of America and provides services in the foreign exchange market for international payments. While the price agreed between the parties depended on the financial performance of Tempus in 2010 and 2011, the first of three payments, which amounted to USD 31.8 million, granted ownership of 100% of the shares and was made on November 23, 2010, on which date all authorizations from both Mexican and foreign regulators were obtained and control was acquired. As noted above, the first payment amounted to U.S. 31.8 million (equivalent to \$ 396). The second payment was made during the month of April 2011 and totaled USD 4.5 million. In accordance with the purchase contract, the third and final payment was made during the month of March 2012 and amounted to USD 12.2 million. As of December 31, 2012 and 2011 the goodwill and intangible assets acquired in this transaction amounted to \$613 and \$659, respectively.

Translation of financial statements of foreign subsidiaries - To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to accounting criteria of the Commission using the currency in which transactions are recorded. The financial statements are subsequently translated to Mexican pesos considering the following methodology:

- a. *Foreign operations whose functional currency is the same as the currency in which transactions are recorded.* These components translate their financial statements using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate on the date of accrual of revenues, costs and expenses. Translation effects are recorded in stockholders' equity.

The currency in which transactions are recorded and the functional currency of foreign operations and the exchange rates used in the different translation processes are as follows:

Company	Recording currency	Functional currency	Exchange rate to translate from recording currency to functional currency	Exchange rate to translate from functional currency to Mexican pesos
Tempus, Inc. (formerly Tempus Consulting, Inc.)	U.S. dollar	U.S. dollar	1	12.9658
Monex Europe.	Pound sterling	Pound sterling	1	21.0681

As of December 31, 2012, an analysis of the cumulative translation adjustment is as follows:

	Amount
Beginning balance	\$ 25
Conversion effect of the year -	
Goodwill and intangible assets	(16)
Other	-
Ending balance	<u>\$ 9</u>

The Institution's functional currency is the Mexican peso. Investments in foreign subsidiaries whose functional currencies are other than the Mexican peso, expose the Institution to foreign currency translation risk. In addition, the Institution has monetary assets and liabilities denominated in foreign currencies, mainly in U.S. dollars and Euros; resulting in exposure to foreign exchange risks arising from transactions entered into over the normal course of business. (Refer to discussion of comprehensive risk management in Note 32 for further details).

3. Significant accounting policies

The significant accounting policies applied by the Institution comply with the accounting criteria established by the Commission in the “General Provisions Applicable to Credit Institutions”, in its rulings and mandates issued generally and directed to specific issues, which require management to make certain estimates and judgments, to determine the amounts included in the consolidated financial statements and related disclosures. Although the actual results may differ from such estimates, management believes that the estimates and judgments used in the preparation of these consolidated financial statements were appropriate under the circumstances.

Under accounting criteria A-1 issued by the Commission, the Institution is required to apply Mexican Financial Reporting Standards (“MFRS” or “NIF’s”) promulgated by the Mexican Board of Financial Reporting Standards (CINIF), except with regard to topics for which the Commission has issued specific accounting guidance on the basis that the entities subject to its regulations carry out specialized operations.

Changes in the Accounting Criteria of the Commission

On October 5, 2011, the Commission issued a resolution amending B-6 “Loan Portfolio”, clarifying the accounting related to restructurings and renewals. The amendment also clarifies the criteria for classifying loans as performing and non-performing. This amendment became effective on March 1, 2012 and is to be applied prospectively.

The most significant effects of these changes are as follows:

- The fees charged for credit restructuring or renewals must be deferred over the term of the loan.
- “Sustained payment” as defined by the Commission is achieved by the borrower when loan repayments cover at least 20% of principal or total accrued interest under the restructuring scheme or renewal.
- In the case of a restructuring or renewal that results in the consolidation of multiple loans of a given borrower into one loan, such restructured or renewed loan is assigned a credit rating equal to the lowest rated loan consolidated from the borrower.
- When the Institution concludes that sustained payment has been achieved with respect to a restructured or renewed loan, it shall make available to the Commission the documentation evidencing a borrower’s ability to pay.
- The accounting for loans with periodic installments of principal and interest or that have been restructured or renewed during the initial 80% of the original loan term and also defines the accounting treatment that shall be applied for the remaining term for such loans.
- Distinguishes between a loan modification and a loan restructuring.

Changes in MFRS applicable to the Institution

Beginning January 1, 2012, the Institution adopted the following new NIFs:

NIF C-6, *Property, Plant and Equipment*. - Establishes the requirement to separately depreciate components those are significant to items of property, plant and equipment.

Improvements to Mexican Financial Reporting Standards 2012. - The main improvements that result in accounting changes are as follows:

Bulletin B-14, *Earnings per Share*. - Requires the calculation and disclosure of diluted earnings per share when the entity has incurred a loss from continuing operations, regardless of whether or not there is net income for the period.

Bulletin C-11, *Stockholders' Equity*.- Eliminates the rule requiring entities to recognize donations received directly to stockholders' equity. Instead donations received shall be recognized as revenue in the statement of income in accordance with the NIF B-3, Statement of Income.

Bulletin C-15, *Impairment in the Value of Long-lived Assets and their Disposal* – Eliminates a) the limitation that an asset that is not in use may be classified as held for sale, and b) reversal of goodwill impairment losses. The standard also stipulates that impairment losses related to long-lived assets should be classified in the statement of income within the appropriate cost and expenses line items, and not under other income and expenses, or as a special item.

The significant accounting policies of the Institution are as follows:

Recognition of the effects of inflation - Because it operates in a non-inflationary environment, the Institution suspended recognition of the effects of inflation on January 1, 2008. Up to December 31, 2007, the recognition of inflation mainly resulted in gains or losses on nonmonetary and monetary assets and liabilities

The balances of assets, liabilities and stockholders' equity include the effects of inflation recognized through December 31, 2007, as mentioned above. The consolidated financial statements as of December 31, 2012 and 2011 only include inflation adjustments recognized in previous periods, and which correspond to assets, liabilities and stockholders' equity that have not yet been derecognized.

As established in NIF B-10, *Effects of Inflation*, a non-inflationary environment is defined as one in which the cumulative inflation rate of the three preceding years is lower than 26%, and which is projected to maintain stable inflation rates according to the economic forecasts of government agencies. The inflation percentage under UDIS rates for 2012 and 2011 was 3.91% and 3.65% respectively. The cumulative inflation of the three-year periods preceding December 31, 2012 and 2011 is 12.31% and 12.12% respectively.

Beginning on January 1, 2008, given that the Institution operates in a non-inflationary environment, it suspended its recognition of the effects of inflation in the financial statements, however, assets, liabilities and stockholders' equity included the restatements effects recognized through December, 31, 2007.

Funds available - Funds available are valued at face value; foreign currency funds available are valued at fair value using the year end exchange rates.

Foreign currency acquired which it is agreed will be settled on a date subsequent to the purchase-sale transaction is recognized as restricted funds available (foreign currency receivable). Foreign currency sold is recorded as a credit to funds available (foreign currency deliverable). The offsetting entry is recorded in a debit or credit settlement account when a sale or purchase is performed, respectively.

For financial information presentation purposes, foreign currency settlement accounts receivable and payable are offset by contract and term and are presented under other accounts receivable (net) or creditors from settlement of transactions, as applicable.

Interbank loans executed for a term of three working days or less, as well as other funds available such as correspondent banks or other liquid notes, are also included in this line item.

Margin accounts - Margin accounts (guarantee deposits) for transactions with derivative financial instruments in recognized markets are recorded at face value.

Guarantee deposits are used to ensure compliance with the obligations related to the derivatives executed in recognized markets and refer to the initial margin, and subsequent contributions and withdrawals made during the term of the respective contracts.

Trading securities - Trading securities represent investments in debt and equity securities, in proprietary position and pledged as guarantee, which are acquired with the intention of selling them to realize gains arising from changes in fair value. Upon acquisition, they are initially recorded at fair value (which includes any applicable discount or premium). They are subsequently valued at fair value, determined by a price supplier hired by the Institution, in accordance with the Provisions of the Commission. The cost is determined using the average cost method. The difference between the cost of investments in debt securities plus their accrued interest and the cost of equity instruments relative to fair value is recorded in the income statement

under the caption "Financial intermediation". The effects of valuation are classified as unrealized and therefore, cannot be distributed to stockholders until the securities are sold

Fair value is the amount at which an asset may be exchanged or a liability may be settled by informed, willing and interested parties in an arm's length transaction.

The transaction costs for the acquisition of trading securities are recognized in results on the acquisition date.

Cash dividends of share certificates are recognized in results for the year in the same period in which the right to receive such payment is generated.

The exchange gain or loss on foreign currency-denominated investments in securities is recognized in results for the year.

Trading securities also include transactions pending settlement, which refer to sale and repurchase transactions of securities not settled. These transactions are valued and recorded as trading securities, recording the receipt and expense (debit or credit balance) of the securities subject to the transaction against the respective debit or credit settlement account, when the transaction is agreed upon

The accounting criteria of the Commission allow for certain reclassifications in and out of the trading securities classification, conditional upon the prior express authorization of the Commission.

Securities available for sale - Securities available for sale are debt instruments and shares that are not for purposes of obtaining gains derived from the price differences resulting from purchase and sale transactions and, in the case of debt instruments, those that the entity does not intend or is able to hold to maturity and, therefore, represent a residual category, i.e., they are acquired for purposes other than those of trading securities or securities held to maturity because the Institution intends to trade such securities in the future prior to their maturity.

Upon acquisition the securities are initially recorded at fair value plus the acquisition transaction cost (including the discount or markup, as applicable), and are subsequently valued at fair value.

The Institution determines the increase or decrease in the fair value using prices provided by the price supplier, which uses various market factors for their determination. The yield on debt securities is recorded using the imputed interest or effective interest method depending on the nature of the security and is recognized in the consolidated statement of income under "Interest income". Unrealized gains or losses changes in fair values as reported by pricing services are recorded in other comprehensive income under Result from valuation of securities available for sale net deferred relative taxes net, except in the case when such securities are hedged in a fair value hedging relationship, in which case they are recognized in results for the year.

Cash dividends on share are recognized in results for the year in the same period in which the right to receive the dividend arises.

The accounting criteria of the Commission allow the transfer of securities classified as available for sale to or from trading or held to maturity classifications when the Institution does not have the intention or the ability to hold them to maturity, as well as reclassifications of trading securities to available for sale, with the prior express authorization of the Commission.

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.

A credit instrument is considered to be impaired and an impairment loss is recognized, 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 the probability that such events might occur.

Objective evidence that a credit instrument is impaired includes observable information such as, among others, the following events:

- a) Significant financial difficulties of the issuer of the instrument;
- b) It is probable that the issuer of the instrument will be declared bankrupt or another financial restructuring will take place;
- c) Noncompliance with the contractual clauses, such as default on payment of interest or principal;
- d) Disappearance of an active market for the instrument in question due to financial difficulties, or
- e) A measurable decrease in the estimated future cash flows of a group of securities since the initial recognition of such assets, even though the decrease cannot be matched with the individual securities of the group, including:
 - i. Adverse changes in the payment status of the issuers in the group, or
 - ii. Local or national economic conditions which are correlated with defaults on the securities of the group.

Management has not identified objective evidence of impairment of a credit instrument held as of December 31, 2012.

Repurchase agreements - Sale and repurchase agreements are those in which the buying party acquires for a sum of money the ownership of securities and undertakes, in the agreed-upon term and upon a payment of the same price plus a premium, to transfer to the ownership similar securities. 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 secured financing in which the buying party provides cash as financing in exchange for obtaining financial assets that serve as collateral 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, which represents the obligation to repay such cash to the buying party. The account payable will be valued subsequently during the term of the repurchase transaction at fair value, recognizing the interest in results based on the effective interest method.

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, which is equal to the agreed price, representing 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.

When the transactions performed are classified as cash-oriented, the seller's intention is to obtain cash financing by using financial assets as collateral while the buying party obtains a return on its investment which is low risk due to the financial assets held as collateral. The selling party repays to the buying party the interest calculated based on the agreed rate of the repurchase agreement. Also, the buying party obtains yields on its investment, which is secured by the collateral.

When the transactions performed are considered as securities-oriented, the intention of the buying party is to temporarily accept certain specific securities held by the selling party, by granting cash as collateral, which serves to mitigate the exposure to risk faced by the selling party in relation to the buying party. In this regard, the selling party pays the buying party the interest agreed at the repurchase agreement rate for the implicit financing obtained on the cash that it received, in which such repurchase rate is generally lower than that which would have been agreed in a "cash-oriented" repurchase agreement.

Regardless of the economic intent, the accounting for “cash-oriented” or “securities-oriented” repurchase transactions is the same.

Noncash collateral granted and received in repurchase transactions - In relation to the collateral granted by the selling party to the buying party (other than cash), the buying party recognizes the collateral received in memorandum accounts, following the valuation guidelines for the securities established in treatment B-9 “Custody and Management of Assets”. The selling party reclassifies the financial asset in its consolidated balance sheets to restricted assets.

When the buying party sells or pledges the collateral, the proceeds from the sale are recorded, and a liability for the obligation to repay the collateral to the selling party (measured initially at the fair value of the collateral) and is subsequently valued at fair value in a sale, and at amortized cost if is considered as a pledge in another repurchase transaction (in which case, any difference between the price received and the fair value of the liability is recognized in results of the year). For purposes of presentation, the liability is offset by accounts receivable referred to as Repurchase agreements, which is generated when the purchases are reported. The debit or credit balance is shown under Repurchase agreements or Sold collaterals or pledged as guarantee as appropriate.

Similarly, if the buying party becomes a selling party due to another repurchase transaction with the same collateral as the initial transaction, the interest on the second repurchase transaction must be recognized in results for the year as earned, using the effective interest method in relation to the liability valued at amortized cost.

Memorandum accounts recognized for collateral received by the buying party are cancelled when the repurchase transaction matures or when the selling party defaults.

For transactions where the buying party sells or pledges the collateral received (for example, when another repurchase or securities loan transaction is agreed), memorandum accounts are used to control such collateral sold or pledged, which is valued using the standards applicable to custody transactions included in Criterion B-9 “Custody and Assets Management”.

Memorandum accounts which are recognized for collateral received that in turn was sold or pledged by the buying party are cancelled when the collateral sold is purchased to return it to the selling party, or when the second transaction matures or the other party defaults.

Securities- Involves the transfer of securities from the lender to the borrower, who is obliged to return such securities or other substantially similar instruments either on a specified date or upon demand along with the payment of a premium as consideration. In these transactions, collateral or a guarantee is requested by the lender from the borrower. Such collateral includes assets, other than cash, that are permitted under regulations.

For legal purposes, a securitized lending transaction is a sale, which includes the obligation to repurchase the securities on a specified future date. Notwithstanding, the economic substance of securities loans is that the borrower can temporarily access certain types of securities and offer up collateral which serves to mitigate the exposure to risk of the lender in regard to the borrower.

Securities lending transactions are accounted for as indicated below:

When it acts as the lender, the Institution records the securities transferred in connection with the loan as restricted assets, and continues to apply the applicable accounting rules for valuation, presentation and disclosure with respect to such securities.

The premium is recorded initially as deferred revenue, recording the debit settlement account or the entry of the cash. The amount of the accrued premium is recognized in results of the year through the effective interest method over the effective term of the transaction.

When it acts as the borrower, the Institution records the security subject to the loan received in memorandum accounts, following the valuation guidelines established for securities recognized included in Criterion B-9, issued by the Commission.

The premium is recorded initially as a deferred charge, recording the credit settlement account or the disbursement of the cash. The amount of the accrued premium is recognized in results through the effective interest method over the effective term of the transaction.

The securities that are lent under the transaction, as well as the collateral delivered, are presented as restricted, and based on the type of financial asset in question.

The securities that are lent under the transaction, as well as the collateral received, are presented in memorandum accounts under Collaterals received by the Institution.

Derivative instrument transactions (trading purposes) - The Institution recognizes all of its derivatives (including hedging derivatives) as assets or liabilities (depending on the related rights and/or obligations) in the balance sheet, initially at fair value, which are presumed to be equal to the price agreed in the transaction.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

Subsequently, all derivatives are valued at fair value without deducting any transactions costs incurred during the sale or any other type of disposal, recognizing the valuation effect in results for the period under Result from intermediation.

The rights and obligations of derivatives that are traded in recognized markets or stock exchanges are considered to have matured when the risk position is closed, i.e., when an opposite derivative with the same characteristics is traded in such market or stock exchange.

The rights and obligations of derivatives that are not traded in recognized markets or stock exchanges are considered to have matured when they reach their maturity date, when the rights are exercised by either party or when the parties exercise the rights early in accordance with the related conditions and the agreed consideration is settled.

Forward and future contracts for trading:

Forward and future contracts for trading are those that establish an obligation to buy or sell an underlying asset on a future date at a pre-established amount, quality and price on a trading contract. Both forward and futures contracts are recorded by the Institution as assets and liabilities in the consolidated balance sheets at the exchange rate established in the related underlying asset purchase-sale contract, to recognize the right and the obligation to receive and/or deliver the underlying asset, and the right and the obligation to receive and/or deliver cash equivalent to the underlying asset specified in the contract.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

The exchange difference between the exchange rate agreed in the contract and the monthly forward exchange rate, as well as the valuation effects, are recorded in the statement of income under intermediation income.

For futures contracts, a margin account is created whose counterparty is a clearing house, so as to minimize counterparty credit risk.

The margin account given in cash, does not form part of the initial net investment of the derivative, which is accounted for separately from the derivative.

For financial statement classification purposes, with respect to derivative instruments that incorporate both rights and obligations, such as futures, forwards and swaps, such rights and obligations are offset and the resulting net debit or credit balances are recognized a derivative asset and liability, respectively.

Option contracts:

Options are contracts that, in exchange for a premium, grant the right, but not the obligation, to buy or sell a specified number of underlying instruments at a fixed price within a specified period.

The holder of a put has the right, but not the obligation, to sell a specified number of underlying assets at a fixed price (exercise price) within a specified period.

The holder of a call has the right, but not the obligation, to buy from the issuer a specified number of underlying assets at a fixed price (exercise price) within a specified period.

Options are divided into buy options (calls) and sell options (puts) based on the rights granted.

Options may be exercised at the end of the specified period (European options) or at any time during the period (American options); the exercise price is established in the contract and may be exercised at the holder's discretion. The instrument used to set this price is the reference value or underlying asset. The premium is the price paid by the holder to the issuer in exchange for the rights granted by the option.

The Institution records the premium paid for the option on the transaction date as an asset or liability. Any fluctuations in the fair value are recognized in the consolidated statements of income under Intermediation income. When an option matures or is exercised, the premium recognized is cancelled against results for the year, also under Intermediation income.

Recognized options that represent rights are presented, without offsetting, as a debit balance under the asset line item Derivatives. Recognized options that represent obligations are presented, without offsetting, as a credit balance under the liability line item "Derivatives".

Trading option contracts are recorded in memorandum accounts at their exercise price, multiplied by the number of securities, distinguishing between options traded on the stock market from over-the-counter transactions, in order to control risk exposure.

All valuation gains or losses recognized before the option is exercised or before its expiration, are treated as unrealized and are not capitalized or distributed to stockholders until realized in cash.

Swaps:

A swap contract is an agreement between two parties establishing a bilateral obligation for the exchange of a series of cash flows within a specified period and on previously determined dates.

Swaps are initially recognized by the Institution in the balance sheet as an asset or liability, at fair value, which presumably is equal to the agreed-upon price.

The Institution recognizes both an asset and a liability arising from the rights and obligations of the contractual terms, valued at the present value of the future cash flows to be received or delivered according to the projection of the implicit future rates to be applied, discounting the market interest rate on the valuation date using curves provided by the price vendor, which are reviewed by the market risk area.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

Subsequently, all derivatives other than hedging derivatives are valued at fair value without deducting any transaction costs incurred during the sale or any other type of disposal, recognizing the valuation effect in the results of the year.

If the counterparty credit risk of a financial asset related to the rights established in the derivatives is impaired, the book value must be reduced to the estimated recoverable value and the loss is recognized in earnings. If the impairment situation subsequently disappears, the impairment is reversed up to the amount of the previously recognized impaired loss, recognizing this effect in the results of the period in which this occurs.

A swap contract may be settled in kind or in cash, according to the conditions established.

The result of offsetting the asset and liability positions, whether debit or credit, is presented as part of the "Derivatives" line item.

Embedded derivatives - An embedded derivative is a component of a hybrid (combined) financial instrument that includes a non-derivative contract (known as the host contract) in which certain cash flows vary in a manner similar to that of an independent derivative. An embedded derivative causes certain cash flows required by the contract (or even all cash flows) to be modified according to changes in a specific interest rate, the price of a financial instrument, an exchange rate, a price or rate index, a credit rating or index, or other variables allowed by applicable laws and regulations, as long as any non-financial variables are not specific to a portion of the contract. A derivative that is attached to a financial instrument but that contractually cannot be transferred independently from that instrument or that has a different counterparty, is not an embedded derivative but a separate financial instrument.

An embedded derivative is separated from the host contract for purposes of valuation and to receive the accounting treatment of a derivative, only if all the following characteristics are fulfilled:

- a. The economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract;
- b. A separate financial instrument that has the same terms of the embedded derivative would comply with the definition of a derivative, and
- c. The hybrid (combined) financial instrument is not valued at fair value with changes recognized in results (for example, a derivative that is not embedded in a financial asset or a financial liability valued at fair value should not be separated).

The effects of the valuation of embedded derivatives are recorded under the same line item in which the host contract is recorded.

A foreign currency embedded derivative in a host contract, which is not a financial instrument, is an integral part of the agreement and therefore clearly and closely related to the host contract provided that it is not leveraged, does not contain an optional component and requires payments denominated in:

- The functional currency of one of the substantial parties to the contract;
- The currency in which the price of the related good or service that is acquired or delivered is regularly denominated for commercial transactions around the world;
- A currency which has one or more characteristics of the functional currency for one of the parties.

Foreign currency transactions - Foreign currency transactions are recorded at the exchange rate in effect on the transaction date. Assets and liabilities denominated in foreign currency are adjusted at the year-end exchange rates determined and published by Banco de México (Central Bank).

Revenues and expenses from foreign currency transactions are translated at the exchange rate in effect on the transaction date, except for transactions carried out by the foreign subsidiaries, which are translated at the fixed exchange rate at the end of each period.

Foreign exchange fluctuations are recorded in the consolidated statements of income of the year in which they occur.

Commissions collected and its related costs and expenses - The commissions collected for the initial granting of the loans are recorded as a deferred credit under Deferred credits and advance collections, which is amortized against results of the year under Interest income using the straight-line method over the loan term.

The commissions collected for credit restructurings or renewals are added to any commissions recorded at loan origination, and are recognized as a deferred credit which is amortized in results using the straight-line method over the new term of the loan.

Any commissions recognized after the initial granting of the loans are those incurred as part of the maintenance of such loans, or those collected on loans which were not placed and are recognized in results at the time they are incurred or earned.

Incremental costs and expenses associated with the initial granting of the loan are recognized as a deferred charge, which are amortized to results as Interest expense during the same accounting period in which the revenues from commissions collected are recognized.

Any other cost or expense different from those described above, including those related to promotion, advertising, potential customers, management of existing loans (follow-up, control, recoveries, etc.) and other secondary activities related to the establishment and monitoring of credit policies, is recognized directly in results of the year as it is accrued and classified in accordance with the nature of the cost or expense.

Performing loan portfolio –Include loans with the following characteristics:

- Loans those are current in the payments of both principal and interest.
- Loans that do not demonstrate the characteristics of non-performing portfolio.
- Restructured or renewed loans which have evidence of sustained payment.

Non-performing loan portfolio - Include loans with the following characteristics:

- Loans with a single payment of principal and interest at maturity are considered past due 30 days after the date of maturity.
- Loans with a single payment of principal at maturity and with periodic interest payments are considered past due 90 days after interest is due or 30 days after principal is due.
- Loans whose principal and interest payments have been agreed in periodic installments are considered past due 90 days after they become due.
- Customer checking accounts showing overdrafts will be reported in the non-performing portfolio at the date of the overdraft.

Restructured non-performing loans will remain classified in the non-performing loan portfolio and until evidence exists of sustained payment. Under the accounting criteria of the Commission, sustained payments are evidenced by compliance with contractual payment terms on at least three consecutive payments.

Renewed loans where the borrower is delinquent on payments of accrued interest and at least 25% of the original loan amount is considered non-performing until proof exists of receipt of payment, as required by the accounting criteria prescribed by the Commission.

Once the portfolio is classified as non-performing, interest no longer accrues. This includes compound interest on loans.

For accrued but uncollected regular interest on non-performing loans, the Institution creates a provision for an amount equal to the outstanding accrued interest and principal when the loan is transferred to the non-performing portfolio.

Classification of the loan portfolio and allowance for loan losses - In accordance with the Provisions, the individual loans in the loan portfolio must be classified as commercial, residential (the “mortgage”) or consumer loans. As of December 31, 2012, 2011 and 2010, the Institution has classified its loan portfolio as follows:

- a. Commercial: direct or contingent loans, including bridge loans denominated in Mexican pesos, foreign currency, loans indexed to investment units or changes in minimum wages, together with any interest generated, which are granted to corporations or individuals with business activities, intended for their commercial or financial activity including those given to financial entities unless involving interbank loans contracted for less than three business days; transactions of factoring operations and leasing operations executed with such corporations or individuals; loans granted to trustees who act under the protection of trusts, and the credit schemes commonly known as “structured”. Also, credits granted to states, municipalities and their decentralized agencies are included when they can be classified in accordance with applicable regulations.
- b. Housing loans: direct loans granted to individuals denominated in Mexican pesos, together with the respective interest, for housing improvements, but not for commercial housing speculation purposes.

The Institution recognizes reserves created to cover credit risks in conformity with such provisions, based on the following:

Commercial portfolio:

- a. Individual method - For borrowers with balances of over 4,000,000 Investment Units (UDIs), the estimation for the reserve for loan losses entails evaluating:
 - The creditworthiness of the borrower based on the evaluation of 1) the likelihood of default of the borrower using the proprietary methodology authorized by the Commission for these purposes, or 2) the application of the standard methodology, specifically and independently rating country risk, financial risk, industry risk, and payment experience aspects, as established in those provisions.
 - A differentiation is made between personal, property collateral, and real, property collateral, based on an estimate of probable loss. As a result of the analysis of real collateral, loans are classified into two groups, based on the discounted value of collateral: a) loans fully collateralized and b) loans with an exposed portion.
- b. Non-individualized method - For borrowers with balances less than 4,000,000 UDIs:
 - Parametric calculation of the allowance for loan losses based on the debtor’s payment history over the last 12 months and its credit behavior.

The commercial portfolio is rated every quarter and filed with the Commission within the 30 days following the classification date. The allowance for loan losses is recorded based on the balance of the accounts on the last day of each month and rated portfolio as of the latest known quarter, which includes the updated risks as of the current month-end.

On May 17, 2010, the Commission issued a Ruling that amends the Provisions, which modifies the commercial credit portfolio classification methodology of credit institutions by allowing credit institutions to reassess the risk inherent to loans that were restructured, renewed or assigned, considering the value of any guarantees associated with them.

The allowance for loan losses under the individual method is determined by applying the respective percentage to the collateralized portion and, if applicable, to the unsecured portion of the loan, based on the following table:

Risk level	Table of sites within the range of reserves		
	Low	Intermediate	High
A-1	-	0.5%	-
A-2	-	0.99%	-
B-1	1%	3%	4.99%
B-2	5%	7%	9.99%
B-3	10%	15%	19.99%
C-1	20%	30%	39.99%
C-2	40%	50%	59.99%
D	60%	75%	89.99%
E	-	100%	-

Portfolio of loans to States and Municipalities:

On October 5, 2011, the Federal Official Gazette published a ruling which modifies the Provisions related to the classification methodology for commercial loans to states and their municipalities, as well as the accounting treatment for such loan portfolio. The most important modifications refer to the following:

In regard to the rating methodology of the loan portfolio granted to States and municipalities:

- 1) A new methodology is established that introduced a model based on expected loss in which the losses for the next 12 months are estimated using the best loan information available.
- 2) The new methodology considers the likelihood of default, the severity of the loss and the exposure to default.
- 3) The likelihood of default is determined based on quantitative and qualitative scores taking into account several risk factors established in the Provisions. The likelihood of default will be 0% for loans guaranteed by a program established by a federal law that is in turn included in the Federal Expense Budget of the related year. With certain exceptions, when a loan with the Institution is classified in the non-performing portfolio, the likelihood of default will be 100%.
- 4) Real property and personal property collateral as well as loan derivatives are considered to determine the severity of the loss and the exposure to default.

Loans owed by decentralized agencies of states and their municipalities in excess of 900,000 UDIS at the classification date will be rated individually by considering a level of risk based on the ratings assigned by the ratings agencies (Fitch, Moody's, HR Ratings and S&P) authorized by the Commission (this classification must not be more than 24 months old). Municipalities that have an express personal guarantee of the government of their state in which they are located may be classified with the level of risk applicable to the state that issued the guarantee. Finally, real guarantees must be assessed using the same regulatory mechanism applicable to any secured loan, and when there is no federal participation, the level of risk must be moved two levels higher.

Housing loan portfolio:

As explained in Note 9, the consumer loan portfolio related to the program established with INFONAVIT is called "renewing your home". In accordance with guidance issued by the Commission, these loans are classified as housing loans and qualify as consumer loans portfolio.

As of March 31, 2011, the Institution, when classifying the nonrevolving consumer credit portfolio, determines the respective allowances for losses as of the classification date of the loans, by considering the probability of default, the severity of the loss and the exposure to default, as follows

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

R_i = Amount of reserves to be created for the nth credit.

PI_i = Probability of default on the nth credit.

SP_i = Severity of the loss on the nth credit.

EI_i = Exposure to default on the nth credit.

The classification and creation of the allowances for loan losses on the nonrevolving consumer credit portfolio is made using figures as of the final day of each month and is presented to the Commission at the latest 30 days after the month classified, based on the applicable percentages of allowances, as indicated above.

The Institution classified, created and recorded the allowances for loan losses on non-revolving consumer loan portfolio, which did not include credit card operations, at the final day of each month, in accordance with the following procedure:

- I. The total portfolio is stratified based on the number of cases of noncompliance reported in each billing period at the classification date regarding the due or minimum payments established by the Institution, based on payment history data from at least 9, 13 or 18 periods prior to that date. When the credit has been offered inside the above – mentioned period, Management uses the information that they have at such date.
- II. The reserves resulting from applying the reserve percentages detailed below and depending on whether billing periods are weekly, biweekly or monthly, to total unpaid loan balances, are created. Nevertheless, the Institution does not include uncollected interest recorded in the consolidated balance sheets accrued by loans forming part of the overdue portfolio. Uncollected interest accrued on the overdue portfolio is fully reserved when the respective loans are transferred.

Table applicable for loans with monthly billing:

Number of billing periods that report default (months)	Probability of default	Percentage of severity of the loss	Percentages of allowances for loan losses
0	0.5%		0.5%
1	10%		10%
2	45%		45%
3	65%		65%
4	75%		75%
5	80%	100%	80%
6	85%		85%
7	90%		90%
8	95%		95%
9 or more	100%		100%

The following table is used to assign the appropriate risk level (based on percentage ranges of allowances for loan losses):

Risk level	Percentage ranges of allowances for loan losses
A	0 to 0.99%
B	1 to 19.99%
C	20 to 59.99%
D	60 to 89.99%
E	90 to 100.00%

Evidence of sustained payment:

When the loans are recorded as noncompliant payment and they need to be restructured, the Institution maintains that loans at the level in effect prior to such restructuring, until it obtains evidence of sustained loan payment under the criteria established by the Commission.

Distressed portfolio:

The Institution considers commercial loans with C, D and E risk ratings as distressed, without excluding risk rating improvements derived from the loan portion covered by guarantees, as well as renegotiated loans in which debt forgiveness, reductions or rebates are authorized at the end of the agreed period or are payable by individuals or entities classified as undesirable customers.

After procedures to recover impaired loans are exhausted, they are submitted to the board of directors for authorization of write offs.

Impaired loans considered are applied to the allowance for loan losses when their recovery is considered to be remote. Any amounts recovered as regards previously written-off loans are recognized in results.

Other receivables and payable accounts, net - These items primarily represent receivable or payable amounts derived from the purchase-sale of currency in which immediate settlement was not agreed (value date exchange transactions). These transactions are recorded on the day they are agreed and settled within a period of 24 or 48 hours.

The Institution has a policy of reserving those accounts receivable identified and not identified within 90 days and 60 days, following the initial recording, respectively.

Property, furniture and fixtures, net – Property, furniture and fixtures are recorded at acquisition cost. The assets acquired through to December 31, 2007, were adjusted for the effects of inflation through that date by applying factors derived from UDIS. The related depreciation and amortization are recorded by applying a percentage determined based on their estimated economic useful life.

Long-term investments - Long-term investments are represented by the investment in equity of associated companies that are not subject to consolidation with the Institution, as well as permanent investments in shares of investment funds that are not subject to consolidation with the Institution. The permanent investments of the Institution in entities in which it has no control, joint control, or significant influence are initially recorded at acquisition cost and dividends received are recognized in results for the period unless they relate to profits from periods prior to the acquisition, in which case they are decreased from the permanent investment, and were adjusted for the effects of inflation based on a factor derived from the UDI through December 31, 2007. The investments in which significant influence is exercised are valued using the equity method, adding to the book value of the investment the proportional share of profits or losses and the changes in stockholders' equity reported by the companies, based on the latest financial statements available.

Furthermore, the permanent investments in entities in which significant influence is exercised are initially recognized based on the net fair value of the identifiable assets and liabilities of the entity at the acquisition date. Such value is adjusted after the initial recognition for the respective portion of both comprehensive profits or losses and dividend distribution or equity reimbursements. When the fair value of the consideration paid is greater than the value of the investment in the associated company, the difference refers to goodwill, which is presented as part of the investment. When the fair value of the consideration paid is lower than the value of the investment, the latter is adjusted to the fair value of the consideration paid. If there is evidence of impairment, the investments in associated companies are subjected to impairment tests.

Other assets - Other assets are mainly represented by software, system developments, prepaid payments, installation expenses incurred for the renovation of new corporates office and intangible assets identified in the acquisition of Tempus and Monex Europe.

Software, system developments and installation expenses are initially recorded at acquisition cost and include costs incurred in the development phase.

The amortization of software and system developments is calculated using the straight line method over their estimated economic useful life.

Furthermore, the heading of "Other assets" includes financial instruments of the pension and retirement fund held in a trust administrated by the Institution. Those investments in the fund are maintained to cover the obligations for severance and seniority premiums of employees.

The investments in securities acquired to cover the severance and seniority premium are recorded at market value.

For the purposes of presentation in the consolidated financial statements, if the investment in securities acquired to cover the pension plan and seniority premium exceed the liability recognized, such excess will be presented under the heading of "Other assets". If it is less, such balance will be presented by decreasing the heading of "Sundry creditors and other accounts payable". As of December 31, 2012 and 2011, the balance applicable to the Institution is presented by decreasing the heading of "Sundry creditors and other accounts payable".

Goodwill - Goodwill is mainly attributable to the excess of the purchase price paid over the fair value of the net assets of Tempus and Monex Europe as of their acquisition date (November 23, 2010 and July 2, 2012, respectively), which is not amortized but is subject to impairment tests at least once a year. During, 2011, management identified certain intangible assets in connection with the acquisition of Tempus, which, during 2012, were allocated to software of \$7, licenses of \$71, sales force of \$42 and operating contracts with banks of \$56. Pursuant to NIFs, the Institution had one year from the acquisition date to identify such assets. In the case of Monex Europe, as mentioned in Note 1, management identified and assigned values to intangible assets, arising from the acquisition of that entity, which correspond to sales force for \$67, regarding credit institutions for \$401, non-compete agreement for \$161 and software for \$6.

Impairment of long-lived assets in use – The Institution reviews the book value of long-lived assets in use for impairment when there are indicators that the net carrying amounts of the assets may not be recoverable. The impairment is recorded to the extent that the book value of the asset exceeds the recoverable amount, which is defined as the higher of the present value of net future cash flows or the estimated sales price. The impairment indicators considered for this purpose are, among others, operating losses or negative cash flows generated during the period which, if combined with a history or projection of losses, depreciation and amortization charged to results as revenue percentages, are significantly higher than those of prior years, the services rendered, competition and other economic and legal factors.

Deposits - This heading is composed by call deposits made by the general public, including money market funds. Interest is recognized in results when accrued.

Interbank loans and those from other entities - Direct short and long-term loans received from Mexican and foreign banks are recorded under this heading, together with loans obtained from credit auctions organized by the Central Bank. Interest is recognized in results when accrued.

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.

Direct employee benefits - These are valued in proportion to the services rendered, considering the current wages, and the liability is recognized as it is accrued. It includes mainly employee profit-sharing (PTU) payable and incentives (bonuses).

Labor obligations - In accordance with the Federal Labor Law, the Institution has obligations for severance benefits and seniority premiums payable to employees who determinate their employee relationship under certain circumstances. The Institution's policy is to record the liabilities for severance and seniority premiums, as they are accrued based on actuarial calculations using the projected unit credit method, applying nominal interest rates. Therefore, the liability is being recognized which at present value is estimated will cover the obligation for these benefits at the estimated retirement date of all the employees working in the Institution.

The Institution amortizes in future periods the actuarial gains and losses for the pension, seniority premium, in accordance with the terms of NIF D-3, *Employee benefits*. In relation to severance payments, the actuarial gains and losses are recognized in results in the year in which they arise.

Liability for the acquisition of Tempus - This refers to the liability generated for outstanding payments related to the acquisition of Tempus, and was determined by Management based on estimated future operating results of Tempus. The Institution recognized the fair value of the contingent consideration as of the acquisition date as part of the consideration transferred in exchange for the acquired business. As of December 31, 2012, such liability was paid off in full.

Share-based payments - The Institution established a share-based payment plan for its key officers. Such share-based payments may be settled with equity instruments and are recognized based on the fair value of the granted equity instruments from the granting date and projecting their value to the estimated exercise date, considering the terms and conditions under which they were granted.

Income tax - Income tax (ISR) and the business flat tax (IETU) are recorded in results of the year in which they are incurred. For deferred taxes, management uses financial and tax projections to determine whether the Institution and its subsidiaries will be subject to ISR or IETU. The deferred taxes are then measured based on the tax it expects to pay. The Institution and subsidiaries recognize deferred taxes on temporary differences, tax losses and tax credits. The deferred tax is recognized by using the assets and liabilities method, which compares the accounting and tax values of the assets and liabilities. This comparison produces temporary differences, both deductible and taxable, are then multiplied by the tax rate at which the items will reverse, together with the recoverable tax asset. As of December 31, 2012 and 2011, the Institution has not recognized the deferred effects of employee statutory profit-sharing, but rather calculates such obligation based on section III of the Federal Labor Law.

The management of the Institution recognizes only the deferred tax asset that is deemed highly probable of realization.

The deferred tax is recorded in the consolidated statements of income or in stockholders' equity; depending on the item originating such deferred tax effect.

Effects of restatement of net worth - This represents contributed and earned capital restated up to December 31, 2007 using the factor derived from the value of the UDIs. As of 2008, the Institution operates in a noninflationary environment, the effects of inflation of the period for contributed and earned capital are not recognized.

Financial margin - The financial margin of the Institution is composed of the difference between total interest incomes less interest expense.

Interest income is composed of the yields generated by the loan portfolio, based on the terms established in the contracts executed with the borrowers, the agreed interest rates, the repayment of interest collected in advance, and the premiums or interest on deposits in financial entities, bank loans, margin accounts, investments in securities, repurchase agreements and securities loans, as well as debt placement premiums, commissions charged on initial loan grants, and net equity instrument dividends.

Interest expense is composed of premiums, discounts and interest on deposits in the Institution, bank loans, repurchase agreements and securities loans. The amortization of costs and expenses incurred during the origination of the loan granting is also included under interest expense.

Both interest income and expense are periodically adjusted based on the market situation and the economic environment.

Loan interest is recognized in the statements of income as it is accrued and is based on the periods established in contracts executed with borrowers and agreed interest rates, which are normally periodically adjusted according to the market and general economic situation.

Recognition of revenues derived from securities transactions and the result of the purchase-sale of securities - The commissions and tariffs generated by transactions performed with customers' securities are recorded when the transaction is agreed. The results derived from the purchase-sale of securities are recorded when each transaction is performed.

The gains or losses resulting from currency purchase-sale transactions are recorded in the statements of income under the "Foreign exchange".

Expenses - Expenses are recognized as they accrue.

Comprehensive income - Comprehensive income presented in the accompanying consolidated statements of changes in stockholders' equity is the result of transactions other than those carried out by the Institution's stockholders during the period and consists of net income and the effect from the valuation of securities available for sale, the valuation effect of cash flow hedge instruments, and the cumulative effects from conversion.

Statement of cash flows - According to C-4 of the criteria of the Commission, the cash flow statement shows the sources of cash and cash equivalents, as well as the disbursements to settle its obligations.

The consolidated statements of cash flows, together with the rest of the consolidated financial statements, provide information that helps to:

- Assess changes in the assets and liabilities of the Institution and in its financial structure.
- Assess the amounts and dates of collection and payments to adapt to the circumstances and the opportunities to generate and/or apply cash and cash equivalents.

Memorandum accounts (See note 27)

– *Contingent assets and liabilities:*

This heading represents considers the amount of the economic sanctions emitted by the Commission or any another administrative or judicial authority for as long as the Institution does not comply with the payment obligation of such sanctions or has not interposed some resource of appeal. No such contingencies exist as of December 31, 2012 and 2011.

– *Credit commitments*

This item represents the amounts of unused letters of credit granted by the Institution, which are considered irrevocable commercial credit.

Items under this account are subject to qualification.

– *Assets in trust or mandate (Unaudited):*

Different management trusts are kept to independently account for assets received. Mandates include the declared value of the assets subject to mandate contracts entered into by the Institution. It includes the lines granted to clients, not willing.

– *Assets in custody or under administration:*

This account includes the activity of third-party assets and securities received in custody or to be managed by the Institution.

– *Collateral received:*

The balance is composed of all collateral received in repurchase transactions in which the Institution is the buying party.

– *Uncollected interest earned on non-performing loan portfolio:*

Accrued interest is recognized on the date that the credit balance of the amount due is transferred to the non-performing loan portfolio. The interests that are generated by the credits transferred to the performing loan portfolio are recorded in the memorandum account.

– *Other record accounts (Unaudited):*

This account includes credit amounts by determined level of risk and not qualified, as well as securities and derivative operations.

4. Funds available

As of December 31, 2012 and 2011, funds available were as follows:

Funds Available	2012			2011
	Mexican pesos	Foreign currency	Total	Total
Cash	\$ 49	\$ 49	\$ 98	\$ 76
Deposits in banks	1,540	4,370	5,910	2,423
Remittance	-	25	25	49
Immediate collection documents	1	11	12	-
	<u>1,590</u>	<u>4,455</u>	<u>6,045</u>	<u>2,548</u>
Restricted funds available:				
Foreign currency purchase 24 and 48 hours (1)	-	18,516	18,516	16,629
Foreign currency sale 24 and 48 hours (1)	-	(10,201)	(10,201)	(12,914)
Regulatory monetary deposits (2)	100	-	100	100
	<u>100</u>	<u>8,315</u>	<u>8,415</u>	<u>3,815</u>
Total net	<u>\$ 1,690</u>	<u>\$ 12,770</u>	<u>\$ 14,460</u>	<u>\$ 6,363</u>

- (1) This item refers to currency purchase-sale transactions to be settled in 24 or 48 hours and which are considered as restricted until their settlement date. At December 31, 2012 and 2011, balances denominated in foreign currency (in millions of U.S. dollars) and the equivalent amounts in Mexican pesos are composed as follows:

	2012			
	Dollars	Euros	Others	Total
Total funds available-				
Purchase of foreign exchange receivable in 24 and 48 hours (Mexican pesos)	\$ 18,211	\$ 112	\$ 193	\$ 18,516
Sale of foreign exchange receivable in 24 and 48 hours (Mexican pesos)	<u>(9,814)</u>	<u>(145)</u>	<u>(242)</u>	<u>(10,201)</u>
Total included in funds available (Mexican pesos)	<u>\$ 8,397</u>	<u>\$ (33)</u>	<u>\$ (49)</u>	<u>\$ 8,315</u>

The exchange rate as of December 31, 2012 was \$12.9658 Mexican pesos and \$17.1382 Mexican pesos per the U.S. dollar and Euro, respectively.

	2011			
	Dollars	Euros	Others	Total
Total funds available-				
Purchase of foreign exchange receivable in 24 and 48 hours (Mexican pesos)	\$ 16,024	\$ 535	\$ 70	\$ 16,629
Sale of foreign exchange receivable in 24 and 48 hours (Mexican pesos)	<u>(12,625)</u>	<u>(241)</u>	<u>(48)</u>	<u>(12,914)</u>
Total in funds available (Mexican pesos)	<u>\$ 3,399</u>	<u>\$ 294</u>	<u>\$ 22</u>	<u>\$ 3,715</u>

The exchange rate as of December 31, 2011 was \$13.9476 Mexican pesos and \$18.10398 Mexican pesos per the U.S. dollar and Euro, respectively.

- (2) In accordance with the monetary policy established by the Central Bank and in order to regulate its money market liquidity, the Institution must maintain minimum deposits for indefinite periods, which accrue interest at the average bank rate. At December 31, 2012 and 2011, these deposits amounted to \$100. Interest income from these deposits is payable every 28 days by applying the rate established by the Central Bank's regulations.

5. Margin accounts

As of December 31, 2012 and 2011, the margin account is as follows:

	2012	2011
Collaterals received as guarantee	\$ 599	\$ 258
Valuation of futures	(65)	92
	<u>\$ 534</u>	<u>\$ 350</u>

As of December 31, 2012 and 2011, margin accounts for collateral submitted in organized operating markets are remained with Scotiabank Inverlat, S.A. for \$482 and \$258, respectively, and Santander Bank for \$71, and Lek Securities for \$46 as of December 31, 2012:

Guarantee deposits cover rate futures operations, IPC futures, dollar futures, peso and futures options.

6. Investment in securities

Trading securities - As of December 31, 2012 and 2011, trading securities were as follows:

	2012			2011	
	Acquisition	Accrued	(Loss) Gain	Total	Total
Debt instruments:					
Government securities-					
Bonds United Mexican States (UMS)	\$ 179	\$ 2	\$ (2)	\$ 179	\$ 428
Saving protection bonds (BPATS)	1,732	35	(37)	1,730	1,694
Bonds M, M0 y M7	682	2	-	684	37
Udibonds	1	-	-	1	1
Bondes	240	-	-	240	-
Private bank issued securities-					
Traded certificates	564	6	(5)	565	341
Promissory note with interest payable of the maturity ("PRLV")	351	-	-	351	252
Certificates of deposit	1,480	1	-	1,481	-
International Government securities -					
Debts bonds (NOTES)	-	-	-	-	279
Eurobonds of private companies	-	-	-	-	67
Private securities-					
Commercial paper	762	-	(1)	761	601
Traded certificates	4,409	37	(51)	4,395	4,548
Corporate debt	3	-	-	3	3
Industry, commercial and services shares	12	-	-	12	5
Investments in investments funds	34	-	-	34	41
Total trading securities	<u>\$ 10,449</u>	<u>\$ 83</u>	<u>\$ (96)</u>	<u>\$ 10,436</u>	<u>\$ 8,297</u>

At December 31, 2012 and 2011, the securities under repurchase agreement are as follows:

	2012	2011
Government securities -		
Bond UMS	\$ -	\$ 118
Bondes	240	-
Bonds M, M0 y M7	644	-
Saving protection bonds	1,077	1,290
Subtotal	1,961	1,408
Private securities-		
Commercial paper	267	600
Private traded certificates	4,189	4,219
Subtotal	4,456	4,819
Private bank issued securities		
Traded bank certificates	385	166
Promissory note with yield payable at maturity ("PRLV")	1,481	-
Subtotal	1,866	166
Total	\$ 8,283	\$ 6,393

This position is considered restricted within trading securities.

As of December 2012, positions greater than 5% of the Institution's net capital in debt securities with a sole issuer (other than government securities) are as follows:

Issuer	Maturity date	% Rate	Restated value
GPROFUT1191	19/03/2021	6.65%	\$ 217
BONDESD190328LD	28/03/2019	0.34%	240
PEMEX10-295	27/01/2020	6.10%	319
SGMEX12-291	11/10/2017	1.20%	352
TFOVIS12-4U95	27/09/2042	3.33%	404
BACOMER21145F	02/04/2021	0.69%	504
TFOVIS10-3U95	27/03/2040	3.25%	546
BONOS130620M	20/06/2013	4.49%	643
HITOTAL10U95	02/01/2041	3.23%	934
BPA182190704IS	04/07/2019	0.28%	1,105
BACOMER22224F	26/05/2022	1.20%	1,461
RBS556 100217 D2	10/02/2017	1.25%	325
BPA182 191010 IS	10/10/2019	0.32%	248
BPA182 160331 IS	31/03/2031	0.01%	252
BMULTIV 13101 I	11/03/2013	5.35%	351

Securities available for sale –As discussed in Note 1 to December 31, 2011, the Institution held an investment, classified as available for sale, in shares in the Mexican Stock Exchange (BMV), valued at \$318, which were sold during 2012 for \$321 resulting in a gain on sale. At December 31, 2012 and 2011, securities available for sale are for Tempus treasury shares for \$15 and \$16, respectively.

7. Repurchase agreements

As of December 31, 2012 and 2011, repurchase agreements were as follows:

When the Institution acts as purchaser

	2012		
	Cash to receive	Collateral	Asset position
Government securities-			
Government bonds	\$ 34	\$ 34	\$ -
Subtotal			
Private bank issued securities-			
Trade bank certificates	486	486	-
Subtotal			
Other trade-			
Commercial debt certificate	5	5	-
Subtotal	-	-	-
Total	\$ 525	\$ 525	\$ -

	2011		
	Cash to receive	Collateral	Asset position
Government securities-			
Saving Protection Bonds	\$ 6	\$ 6	\$ -
Subtotal	6	6	-
Private bank issued securities-			
Trade bank certificates	31	-	31
Subtotal	31	-	31
Other trade-			
Commercial debt certificate	118	-	118
Subtotal	118	-	118
Total	\$ 155	\$ 6	\$ 149

As of December 31, 2012 and 2011, net interest collected and paid on sale and repurchase agreements are \$89 and \$24, respectively.

As of December 31, 2012 and 2011, the repurchase transactions performed by the Institution, acting as repurchase, were agreed under terms ranging from 1 and 60 days.

When the Institution acts as seller:

	2012	2011
	Cash to delivered	Cash to delivered
Government securities-		
Bond UMS	\$ 643	\$ 118
Bonds	240	-
Saving Protection Bonds	1,080	1,290
Subtotal	1,963	1,408
Private securities-		
Commercial paper	267	600
Private traded certificates	4,215	4,219
Subtotal	4,482	4,819
Private bank issued securities-		
Certificates of deposit	1,480	-
Traded bank certificates	384	166
Subtotal	1,864	166
Total	\$ 8,309	\$ 6,393

As of December 31, 2012 and 2011, net interest collected and charged on sale and repurchase agreements are \$339 and \$217, respectively.

As of December 31, 2012 and 2011, the repurchase transactions performed by the Institution, acting as seller, were agreed at terms ranging between 1 and 94 days.

8. Derivative financial instrument transaction

As of December 31, 2012 and 2011, the position for transactions with financial derivatives is as follows:

Asset position	2012		2011	
	Nominal amount	Asset position	Nominal amount	Asset position
Futures-				
U.S. dollar futures	\$ 7,015	\$ -	\$ 5,994	\$ -
Futures indexes	-	-	2	-
Forwards-				
Foreign currency forwards	75,800	428	10,436	142
Options-				
Foreign currency options	12	8	16	7
Options indexes	-	-	11	10
Options rates	47	73	1	1
Swaps-				
Interest rate swaps (IRS)	<u>3,303</u>	<u>66</u>	<u>3,454</u>	<u>60</u>
Total trading	<u>\$ 86,177</u>	<u>\$ 575</u>	<u>\$ 19,914</u>	<u>\$ 220</u>

Liability position	2012		2011	
	Nominal amount	Liability Position	Nominal amount	Liability Position
Futures-				
U.S. dollar futures	\$ 1,140	\$ -	\$ 757	\$ -
Futures indexes	9	-	-	-
Forwards-				
Foreign currency forwards	93,601	185	21,709	151

Liability position	2012		2011	
	Nominal amount	Liability Position	Nominal amount	Liability Position
Options-				
Foreign currency options	13	6	16	10
Options indexes	1	1	2	2
Options rates	37	67	13	12
Swaps-				
Interest swaps (IRS)	<u>3,534</u>	<u>295</u>	<u>3,581</u>	<u>187</u>
Total derivatives trading	<u>\$ 98,335</u>	<u>\$ 554</u>	<u>\$ 26,078</u>	<u>\$ 362</u>

The valuation effect of the trading derivative instruments is reflected in the statements of income under "Intermediation Result" and as of December 31, 2012 and 2011 the gain (loss) is \$39 and \$(61), respectively.

In conformity with the accounting criteria prescribed by the Commission, the valuation effect of futures is presented under "Margin accounts", together with minimum initial contributions, under "Funds available and "Margin accounts". As of December 31, 2012 and 2011 the gain (loss) on changes in valuation of the trading futures is \$65 and \$92, respectively.

Derivatives and the underlying assets are as follows:

Futures	Forwards	Options	Swaps
DEUA	Fx-USD	TIE-28	TIE 28 UHABMES
IPC	Fx-EUR	SMP-USD	LIBOR 28-1M
		SMP-EUR	LIBOR 28-3M
		ORG MXP IPC	UDI- TIE
		OTC MXN IPC	USD/MXN FIJAS

The guarantees and collateral received and delivered for the derivative financing transactions as of December 31, 2012 and 2011, are comprised as follows:

Heading	Type of collateral	Received		2012	2011
		Market			
Sundry creditors and other accounts payable					
Guarantees received	Effective	OTC	<u>\$ 82</u>	<u>\$ 169</u>	

Upon executing transactions with OTC derivatives, the Institution agrees to deliver and/or receive collateral, to cover any exposure to market risk and the credit risk of such transactions. Such collateral is contractually agreed to with each of the counterparties.

As of December 31, 2012 and 2011, there are no restricted securities delivered as security for derivative transactions.

Management of derivative financial instrument usage policies

The policies of the Institution allow the use of derivatives for hedging and/or trading purposes. The main objectives of these products are covering risks and maximizing profitability.

The trading markets are listed and OTC markets and the eligible counterparties may be domestic entities that comply with the 31 requirements established by the Central Bank.

The appointment of calculation agents is established in the legal documentation executed with the counterparties. The prices published by price suppliers are used to value derivative instruments in organized markets and are based on the prices generated in derivative markets. OTC derivatives are valued using prices calculated by the derivatives system, using the risk factor information published by the price supplier.

The main terms or conditions of the contracts are based on those of the International Swaps and Derivatives Association, Inc. (ISDA) or the local outline agreement, which is based on the guidelines provided by the ISDA. The specific policies regarding margins, collateral, and lines of credit are detailed in the Derivatives Manual and any changes thereto must be approved by the Risk Committee.

Authorization levels and processes

Per internal regulations, all derivative products or services associated to derivative products traded by the Institution are approved by the Risk Committee. Any amendments or additions to the original authorization of products or services must also be approved by the Risk Committee.

In the Risk Committee are present all areas that are involved in the operation of the product or service depending on its nature and which are responsible for accounting, legal instruments, tax treatment, risk assessment, etc.

Independent reviews

The Institution is subject to the supervision and oversight of the Commission and Central Bank, which are exercised through follow-up processes, inspection visits, information and documentation requirements and submission of reports. Similarly, internal and external auditors perform periodic reviews.

Generic description of valuation techniques

1. For trading purposes:

- Organized markets- The valuation is made using the closing price of the respective market and the prices are provided by a price supplier.
- “Over The Counter” markets (OTC): OTC derivatives executed with customers are valued by the derivatives system using standard methodologies for the various instruments. The information for the valuation is provided by the price supplier.
- The valuation of OTC derivatives that are held with brokers and used to cover those made with customers, are made by the entity designated as the calculation agent for ISDA contract.

In every case, the Institution values its positions and records the value obtained in conformity with the respective accounting criteria.

1. For hedging purposes:

Derivatives for hedging purposes are valued in conformity with the guidelines and policies established in accounting criteria the Commissions.

2. Reference variables

The most relevant reference variables are exchange rates, interest rates, shares, baskets and share indexes.

3. Valuation frequency

Derivative financial instruments for trading purposes are valued daily. Hedging derivative financial instruments for hedging purposes are valued monthly.

Management of internal and external liquidity sources that may be used for requirements related to financial instruments

Resources are obtained through the Treasury.

Changes in the exposure to identified risks, contingencies, and known or expected events of derivative financial instruments

As of December 31, 2011, due to changes in the value of the hedged position, the use of derivatives differed from the original agreement. Accordingly, the overall hedging scheme was amended, resulting in the reclassification of the valuation effects recorded under Result of the valuation of cash flow hedging instruments in stockholders' equity against results.

As of December 31, 2012 and 2011, the Institution does not have any situations or contingencies, such as changes in the value of the underlying assets or reference values, which may mean that the use of the derivatives may differ from their original use, significantly modify their scheme or imply a full or partial loss of coverage that may require the Issuer to assume new obligations, commitments, or cash flow variances that affect its liquidity (for margin calls); or contingencies or events that are known or expected by management of the Institution, which may affect future reports.

The margin call amount during 2012 and 2011 was that necessary to cover both the contributions in organized markets and those required in collateral agreements.

On November 11, 2011, transactions with OTC derivatives with MF Global FX Clear LLC (a subsidiary of MF Global Finance USA Inc.), matured early because its parent company declared bankruptcy under U.S. laws. The market value as of that date determined by the Institution was \$118, which was recorded under "Other accounts receivable (net)", net of reserves estimated by the management based on the opinion of its outside advisors. During 2012, the judge determined payments to be rendered by MF Global FX to creditors, including the Institution. The amount paid on the receivable was approximately 5 million U.S. dollars (\$68). The difference between the amount paid and recorded as a receivable was charged to the income statement under other operating income, which amounted to \$45.

As of December 31, 2012 and 2011, except as mentioned above, there is no indication of impairment in credit risk (counterparty) that would require a modification in the book value of the financial assets related to the rights established in the derivative financial instruments.

Sensitivity analysis -

Identification of risks- The sensitivity of derivative financial instruments is calculated in accordance with the market value variance according to certain variances in the base scenario. Based on the variances, there are different sensitivities, as follows:

The risk factors that may generate losses on transactions with derivative financial instruments due to changes in market conditions are interest rate, exchange rate, and changes in share indexes. A sensitivity analysis shows that the consumption in these risks is not relevant.

The sensitivity is assessed using the effect of variances in risk factors on the market value of the positions in effect at a certain date; such position considers the derivatives with customers and the hedging transactions in spot markets and with OTC derivatives with financial intermediaries, i.e., the net position in terms of delta. The following chart shows the total sensitivity consumption as of December 31, 2012 (unaudited):

Sensitivity analysis	Sensitivity (all factors)
Stage one (FX and IPC, 1%)	0.387 million of Mexican pesos
Stage two (FX and IPC, 2%)	0.773 million of Mexican pesos

Stress Test -

- **Scenario one:** In this scenario, the risk factors move as follows:
 - The FX risk factors are multiplied by 1.10, i.e., they change 10%.
 - The EQ risk factors are multiplied by 1.20, i.e., they change 20%.
- **Scenario two:** In this scenario, the risk factors move as follows:
 - The FX risk factors are multiplied by 1.20, i.e., they change 20%
 - The EQ risk factors are multiplied by 1.4, i.e., they change 40%

As of December 31, 2012 the results for these scenarios are as follows and show the impact on results if they occurred (unaudited):

Risk profile	Stress test (all factors)
Scenario one	\$ <u>3.7 millones</u>
Scenario two	\$ <u>7.4 millones</u>

9. Loan portfolio

As of December 31, 2012 and 2011, the performing portfolio and non-performing loan portfolio granted by type of currency are as follows:

	2012		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial with guarantee	\$ 1,420	\$ 34	\$ 1,454
Loans to financial institutions	412	-	412
Government entities	42	-	42
Housing loans	1,129	-	1,129
U.S. dollars:			
Commercial with guarantee	1,301	4	1,305
Loans to financial institutions	<u>235</u>	<u>-</u>	<u>235</u>
Total	<u>\$ 4,539</u>	<u>\$ 38</u>	<u>\$ 4,577</u>

	2011		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial with guarantee	\$ 859	\$ 62	\$ 921
Loans to financial institutions	511	-	511
Government entities	81	-	81
Housing loans	602	-	602
U.S. dollars:			
Commercial with guarantee	1,416	-	1,416
Loans to financial institutions	179	-	179
Total	<u>\$ 3,648</u>	<u>\$ 62</u>	<u>\$ 3,710</u>

On March 8, 2010, the Institution executed an outline agreement with the National Workers' Housing Fund (Infonavit), whereby the Institution markets loans under the "Renueva tu Hogar" (Renovate your home) program to certain employees enrolled with the Infonavit, with the consent of the Infonavit and the Institution. The authorization and the management of these loans is the responsibility of the Infonavit. In December 2011, escrow was opened with Nacional Financiera to guarantee collection of this portfolio, and Infonavit thereby deposits the guarantees provided by the borrowers from their housing subsidiary accounts. As of December 31, 2012 and 2011, the total value of this portfolio is \$1,129 and \$602, respectively and is classified under "Housing loans". Such loans are rated in accordance with guidelines applicable to the non-revolving consumer credit portfolio in accordance with the methodology established by the Commission.

The Institution offers grants loans offered by the U.S. Ex-Im Bank, as follows:

Definition of Ex-Im Bank - "*The Export-Import Bank of the United States*", is the U.S. export loan agency. Its mission is to provide financing for the export of U.S. goods and services to international markets.

- a) For long-term loans it receives 100% of the Ex-Im Bank, which is documented in an outline agreement. As December 31, 2012 and 2011, there are no loans under this scheme.
- b) For short-term loans with revolving lines of credit guaranteed with loan insurance policies issued by the Ex-Im Bank to the Institution, the policies cover between 90 and 98% of the loan amount.

In the event of default of a loan guaranteed or insured by the Ex-Im Bank, the Institution will claim the settlement and subrogate the collection rights to such bank, which continues collections efforts on the loans.

At December 31, 2012 and 2011, the portfolio with third participation administered by the Institution and balances denominated in foreign currency and without third party equity participation are as follows:

	2012	2011
Short-term	\$ 250	\$ 128
Medium-term	<u>61</u>	<u>(16)</u>
	<u>\$ 311</u>	<u>\$ 112</u>

Risk diversification -

As of December 31, 2012, the Institution had the following credit risk, in compliance with the general rules for the diversification of risks in the conduct of active and passive transactions:

- As of December 31, 2012, the Institution maintains no loans to debtors or groups of persons representing a common risk and whose individual value is greater than 10% of core capital.
- The amount of credit extended to the three largest borrowers or groups of individuals that represent common risk is \$ 738 and represent 48% of basic capital of the Institution.

Loans to related parties - As of December 31, 2012 and 2011, the loan amounts delivered by the Institution to related parties in accordance with Article 73 of the Law on Credit Institutions is \$528 and \$476 respectively, which were approved by the Board of Directors.

Policy and methods used to identify distressed commercial loans - Commercial loans are identified as distressed in regard to the individual portfolio rating, by considering quantitative elements when they are unsatisfactory and there are significant weaknesses in cash flow, liquidity, leverage, and/or profitability that may jeopardize the client's ability to continue as a going concern or when it has stopped operating. In general, they refer to borrowers whose portfolio rating is "D" or "E".

Policy and procedures to identify credit risk concentration - Concentration risk is an essential element of risk management. The Institution continuously monitors the degree of concentration of credit risk portfolios by economic group.

Credit lines unused by customers - As of December 31, 2012 and 2011, unused credit lines authorized to customers for \$4,718 and \$4,897, respectively.

As of December 31, 2012 y 2011, aging of non-performing portfolio is as follows:

	2012	2011
From 1 to 179 days	\$ 34	\$ 25
From 180 to 365 days	3	14
Over 365	<u>1</u>	<u>23</u>
	<u>\$ 38</u>	<u>\$ 62</u>

10. Allowance for loan losses

As of December 31, 2012 and 2011, the allowance for loan losses was \$84 and \$67, respectively, and is assigned as follows:

2012	Performing portfolio	Non-performing Portfolio	Assigned Allowance
Commercial with guarantee	\$ 2,721	\$ 38	\$ 67
Loans to financial institutions	647	-	4
government entities	42	-	3
Housing loans	<u>1,129</u>	<u>-</u>	<u>10</u>
Total portfolio	<u>\$ 4,539</u>	<u>\$ 38</u>	<u>\$ 84</u>
2011	Performing portfolio	Non-performing Portfolio	Assigned Allowance
Commercial with guarantee	\$ 2,275	\$ 62	\$ 67
Loans to financial institutions	690	-	-
Government entities	81	-	-
Housing loans	<u>602</u>	<u>-</u>	<u>-</u>
Total portfolio	<u>\$ 3,648</u>	<u>\$ 62</u>	<u>\$ 67</u>

As of December 31, 2012 and 2011, the Institution maintained an allowance for loan losses equivalent to 221% and 108%, of the non-performing portfolio, respectively.

The allowance for loan losses resulting from the loan portfolio classification with responsibilities as of December 31, 2012 and 2011, reported by the Institution, is as follows:

Degree of risk	2012		2011	
	Classification of the portfolio by degree of risk	Amount of allowance recorded	Classification of the portfolio by degree of risk	Amount of allowance recorded
A-1	\$ 4,603	\$ 27	\$ 3,921	\$ 18
A-2	604	5	306	5
B-1	268	13	176	9
B-2	41	3	94	8
B-3	228	24	-	-
C-1	4	2	-	-
C-2	1	1	-	-
D	1	1	1	1
E	9	8	26	26
Base classification portfolio	5,759	\$ 84	4,524	\$ 67
Less - Letter of credit	(1,182)		(814)	
Loan portfolio, net	\$ 4,577		\$ 3,710	

The portfolio classified with "D" and "E" risk is identified as a distressed portfolio.

Below is the activity of the allowances for loan losses for the years ended December 31, 2012 and 2011:

	2012	2011
Opening balances	\$ 67	\$ 56
Provisions (applications) with a charge (credit) to:		
Results	37	48
Exchange result	(1)	(2)
Applications	(19)	(35)
Closing balances	\$ 84	\$ 67

11. Other receivables, net

As of December 31, 2012 and 2011, the other receivables, are as follows:

	2012	2011
Debtors due to liquidation of operations	\$ 10,200	\$ 12,435
Debtors by foreign exchange transactions	182	266
Intercompany administrative services	121	3
Employee loans and other debits	13	20
Debtors of operation	753	678
Sundry debtors	4	2
Other debtors	17	-
	11,290	13,404
Allowance for doubtful accounts	(170)	(178)
Total	\$ 11,120	\$ 13,226

12. Furniture and fixtures, net

As of December 31, 2012 and 2011, furniture and fixtures are as follows:

	2012	2011
Office furniture and equipment	\$ 88	\$ 77
Computers	137	123
Vehicles	<u>11</u>	<u>13</u>
	236	213
Less-		
Accumulated depreciation and amortization	<u>(155)</u>	<u>(136)</u>
Total, furniture and fixtures (net)	<u>\$ 81</u>	<u>\$ 77</u>

The annual depreciation and amortization rates were as follows:

	Percentage
Office furniture and equipment	10%
Computers	30%
Vehicles	25%

For the years ended at December 31, 2012 and 2011, depreciation expense amounted \$23 and \$26, respectively.

13. Other assets

As of December 31, 2012 and 2011, goodwill and other assets were as follows:

	2012	2011
Goodwill:		
Tempus	\$ 407	\$ 407
Monex Europe Holding	<u>229</u>	<u>-</u>
	636	407
Deferred charges, prepayments and intangible		
Other intangible assets arising from the acquisition of Tempus(2)	163	176
Other intangible's assets arising in the acquisition of Monex Europe	625	-
Advance payments	12	6
Insurance to amortize	1	1
Improvements and adaptations	173	135
Other deferred charges	<u>82</u>	<u>124</u>
	1,056	442
Less - accumulated amortization	<u>(37)</u>	<u>(21)</u>
	1,019	421
Other assets:		
Operational deposit	<u>5</u>	<u>3</u>
	<u>\$ 1,660</u>	<u>\$ 831</u>

At December 31, 2012 and 2011, the Institution has identified intangible assets acquired separately from goodwill from the acquisition of Tempus and Monex Europe, as follows:

	Tempus	Monex Europe	2012	2011
Licenses	\$ 71	\$ -	\$ 71	\$ 71
Sales force	42	67	109	42
Operating agreements with banks	56	401	457	56
Software	7	6	13	7
No compete agreements	-	161	161	-
Total	176	635	811	176
Conversion effect	(13)	(10)	(23)	-
Total intangible assets	<u>\$ 163</u>	<u>\$ 625</u>	<u>\$ 788</u>	<u>\$ 176</u>

14. Foreign currency position

As of December 31, 2012 and 2011, foreign currency assets and liabilities of the Institution were as follows:

	Millions of US Dollars		Millions of Euros		Other foreign currencies in millions of U.S. dollars	
	2012	2011	2012	2011	2012	2011
Funds available	USD 941	USD 360	€ 12	€ 19	USD 2	USD -
Performing portfolio	147	92	-	-	-	-
Investment in securities	40	82	-	-	-	-
Derivative (assets)	4,191	1,229	10	6	9	4
Margin accounts	5	16	-	-	-	-
Other receivables	35	31	3	-	1	-
Investments in equity	-	-	-	-	32	-
Other assets	47	51	-	-	119	-
Deposits	(166)	(87)	(10)	(6)	(1)	(1)
Bank and other loans	(30)	(34)	-	-	-	-
Resale agreements	(26)	(34)	(1)	-	-	-
Derivative, (liability)	(5,070)	(1,656)	(9)	(6)	(9)	-
Sundry creditors and other payables	(128)	(37)	(3)	(23)	(150)	(4)
Collateral sold or pledged	(10)	-	-	-	-	-
Asset (liability) position	USD (24)	USD 13	€ 2	€ (10)	USD 3	USD (1)
Mexican peso equivalent	\$ (310)	\$ 192	\$ 32	\$ (179)	\$ 38	\$ (2)

As of December 31, 2012 and 2011, the "Fix" (48-hour) exchange rate used was \$12.9658 and \$12.3496 per U.S. dollar, respectively.

As of December 31, 2012 and 2011, the "Euro" exchange rate used was \$17.1382 and \$16.5633 per Euro, respectively.

The Central Bank sets the ceilings for foreign currency liabilities and the liquidity ratio that the Institution obtains directly or through its foreign agencies, branches or affiliates, which must be determined daily for such liabilities to enable the Institution to structure their contingency plans and promote longer term funding within a reasonable time frame.

The Institution performs a large number of foreign currency transactions mainly in U.S. dollar, Euro, Swiss franc, British pound, Canadian dollar and Japanese yen and other currencies. Given that the parities of other currencies against the Mexican peso are linked to the U.S. dollar, the overall foreign currency position is consolidated into U.S. dollars at each month-end closing.

15. Deposits

As of December 31, 2012 and 2011, deposits were as follows:

	2012	2011
Demand deposits	\$ 3,813	\$ 3,106
Time deposits-		
General public:		
Money market:		
Deposit certificates	1,446	788
Credit instruments issued (bonds)	794	107
Promissory notes with interest payable at maturity (IBMONEX) (1)	991	451
Total deposits	\$ 7,044	\$ 4,452

(1) Short-term maturities which generated interest at an average 4.6 % and 4.8% rate, in 2012 and 2011, respectively.

16. Bank and other loans

As of December 31, 2012 and 2011, bank loans were as follows:

	2012			2011	
	Mexican pesos	Foreign currency	Rate	Total	Total
Demand deposits-					
"Call Money" received	\$ 2,811	\$ -	4.47%	\$ 2,811	\$ 454
Total demand deposits	2,811	-		2,811	454
Short term-					
FIRA	-	-	4.84%	-	20
Productive Chains	337	-	5.85%	337	267
Total interbank loans and other loans	\$ 3,148	\$ -		\$ 3,148	\$ 741

Loans with foreign banks (not including accrued interest) - As of December 31, 2012, the Institution does not maintain loans with foreign bank institution. At December 31, 2011 loans with foreign banks accrued interest a rate at 3.34%.

Loans with Development Bank Institutions - Loans are granted by Banco de Comercio Exterior (BANCOMEXT), Nacional Financiera (NAFIN) and Fideicomiso of Central Bank through agricultural trusts (FIRA), which represent a direct obligation for the Institution with these entities. Accordingly, the Institution grants loans in Mexican pesos and U.S. dollars to their customers for financial support.

Lines of credit for discounts and loans, granted in Mexican pesos and US dollars by the development funds mentioned above, operate under the authorizations of the internal risk units of the Institution. The financial conditions are set under fixed and variable rate programs, both in U.S. dollars and Mexican pesos, and the term is based on the specific program or transaction determined for each project.

17. Comparative maturities of principal assets and liabilities

The maturities of the significant assets and liabilities held as of December 31, 2012 were as follows:

	6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Assets:					
Funds available (1)	\$ 14,360	\$ -	\$ -	\$ 100	\$ 14,460
Margin accounts	534	-	-	-	534
Trading securities	10,451	-	-	-	10,451
Derivatives	186	336	52	1	575
Performing portfolio	4,493	-	-	-	4,493
Other receivables (net)	11,120	-	-	-	11,120
Total assets	\$ 41,144	\$ 336	\$ 52	\$ 101	\$ 41,633
Liabilities:					
Demand deposits	\$ 6,810	\$ 18	\$ 21	\$ 195	\$ 7,044
Bank and loans	3,148	-	-	-	3,148
Creditors under sale and repurchase agreements	8,309	-	-	-	8,309
Derivative	181	308	65	-	554
Other accounts payables	20,097	-	76	-	20,173
Total liabilities	38,545	326	162	195	39,228
Assets less liabilities	\$ 2,599	\$ 10	\$ (110)	\$ (94)	\$ 2,405

- (1) The heading of Funds available includes Monetary Regulation Deposits with Central Bank. Such deposits as of December 31, 2012 and 2011 are \$100, and cannot be disposed of freely.

18. Related party transactions and balances

Transactions carried out among the companies that are related parties with respect to the Institution include, such as investments, deposits, rendering of services, etc., most of which generate income for one entity and an expense for another. Transactions and balances among consolidating companies were eliminated, while those of unconsolidated entities remain in effect.

As of December 31, 2012 and 2011, the receivable and payable accounts with related companies are as follow:

	2012	2011
Asset-		
Funds available	\$ 24,657	\$ 17,190
Repurchase agreements	\$ 525	\$ 156
Derivatives	\$ 172	\$ 82
Other receivables	\$ 126	\$ 13
Liability-		
Deposits	\$ 361	\$ 369
Resale agreements	\$ 7,057	\$ 6,393
Derivatives (liability)	\$ 66	\$ 61
Other payables accounts	\$ 30	\$ 5

As of December 31, 2012 and 2011, the most significant transactions carried out by the Institution with related and affiliated companies (at face values) were as follows:

	2012	2011
Interest-		
Income	\$ 53	\$ 2
Corporate services	\$ 91	\$ 85
Results for derivatives	\$ (233)	\$ -
Expenses by-		
Interest and commissions	\$ 389	\$ 57
Corporate services	\$ 78	\$ 58

Management considers that transactions with related parties are performed according to the terms that would be utilized with or between independent parties for comparable transactions.

19. Labor benefits

Under Mexican Labor Law, the Institution is liable for pensions, severance payments and seniority premiums to employees terminated under certain circumstances.

Each year, the Institution records the net periodic cost to create an obligation from seniority premiums and severance payments as it accrues based on actuarial calculations prepared by independent actuaries, which are based on the projected unit credit method and the parameters established by the Commission. Therefore, the liability is being accrued which at present value will cover the obligation from benefits projected to the estimated retirement date of the Institution's employees.

As of December 31, 2012 and 2011, the Institution amortizes variances based on the seniority premiums plan, based on the average remaining years of service of the Institution's employees.

As of December 31, 2012 and 2011, balances and activity reflected in employee benefits, which include, seniority premiums and severance payments, were as follows:

	2012	2011
Defined benefit obligation	\$ 279	\$ 123
Plan assets	<u>(84)</u>	<u>(24)</u>
Underfunded status	195	99
Unamortized:		
Unrecognized actuarial profits	<u>(119)</u>	<u>(9)</u>
Net projected liability	<u>\$ 76</u>	<u>\$ 90</u>

As of December 31, 2012 and 2011, the net projected liabilities for severance payments at the end of the employment relationship for reasons other than restructuring are \$45 and \$28, respectively.

Net periodic cost consists of the following:

	2012	2011
Service cost for the year	\$ 27	\$ 13
Financial cost	12	3
Amortization of transition liability	<u>7</u>	<u>10</u>
Net periodic cost	<u>\$ 46</u>	<u>\$ 26</u>

The economic assumptions used were as follows:

	2012	2011
Discount rate	6.98%	8.14%
Expected rate of return of assets	6.98%	8.14%
Rate of wage increases	4.00%	5.04%

The changes in net projected obligations were as follows:

	2012	2011
Opening balance (face value)	\$ 90	\$ 71
Payment of benefits	(60)	(7)
Provision for the year	<u>46</u>	<u>26</u>
Net projected liability	<u>\$ 76</u>	<u>\$ 90</u>

As of December 31, 2012 and 2011, the Institution had assets related to the defined benefit plan, were invested as follows:

	2012		2011	
	Amount	%	Amount	%
Capital market	\$ 23	27.73%	\$ 4	18.55%
Monkey market	40	46.77%	18	68.97%
Repurchase market	21	25.49%	2	12.48%
Investment companies	<u>-</u>	0.01%	<u>-</u>	0.01%
Total	<u>\$ 84</u>		<u>\$ 24</u>	

As of December 31, 2011, there is no fund created for severance payments at the end of the employment relationship for reasons other than restructuring.

Changes in the present value of the defined benefits obligation:

	2012	2011
Present value of the defined benefits obligation as of January 1	\$ 123	\$ 105
Actual payment of benefits during the year	-	(7)
Actuarial loss	128	2
Cost of the year	<u>28</u>	<u>23</u>
Present value of the defined benefits obligation as of December 31, 2012	<u>\$ 279</u>	<u>\$ 123</u>

20. Creditors from settlements of transactions

As of December 31, 2012 and 2011, creditors from settlement of transactions are as follows:

	2012	2011
Creditors from settlements of transaction by foreign exchange to 24 and 48 hours	\$ 18,516	\$ 16,149
Creditors for settlement of transactions	<u>80</u>	<u>109</u>
Total	<u>\$ 18,596</u>	<u>\$ 16,258</u>

21. Sundry creditors and other payables

As of December 31, 2012 and 2011, sundry creditors and other payables were as follows:

	2012	2011
Employee retirement obligation provision	\$ 160	\$ 114
Funds	<u>(84)</u>	<u>(24)</u>
	76	90
Suppliers	23	15
Reclassification of creditors bank balances	11	472
Creditors from settlements of transaction	795	1,330
Intercompany payables	26	99
Deposits in guarantee	393	169
Various taxes and social security contribution	38	29
Payable commissions, bounds and other gratifications	139	158
Taxes withheld	19	21
Contingent liabilities	-	173
Other sundry creditors	<u>29</u>	<u>9</u>
	<u>\$ 1,549</u>	<u>\$ 2,565</u>

22. Income taxes

In 2012, the Institution is subject to ISR and business flat tax IETU.

ISR is calculated considering certain effects of inflation, such as depreciation calculated according to values at constant prices. In addition, the effect of inflation on certain monetary assets and liabilities is accrued or deducted for the purpose of determining taxable income.

The 2013 Federal Incomes Law amended the corporate income tax rate for which a transition period affecting 2013 and 2014 had been established. The income tax rate was 30% for 2012 and 2011 and will be 30% in 2013; 29% in 2014 and 28% in 2015 and subsequent years.

As a general rule, the IETU considers revenues, deductions and certain tax credits based on cash flows; since 2010 the rate is 17.5%.

The current income tax payable in any given year is the higher of ISR and IETU.

Based on financial projections, the Management of Institution determined that Institution is primarily subject to ISR. Accordingly, deferred taxes are determined based on ISR.

The provision created in results for ISR is as follows:

	2012	2011
ISR:		
Current	\$ 335	\$ 370
Deferred	<u>76</u>	<u>(33)</u>
	<u>\$ 411</u>	<u>\$ 337</u>

Reconciliation of the accounting tax result - The main items affecting the determination of the Institution's tax result were the annual adjustment for inflation, provisions, the difference between depreciation and accounting and tax depreciation and amortization, the difference between the accounting increase of the preventive credit risk estimate and the respective tax deduction, provisions created for the expenses of prior that were settled during the current year.

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

Tax loss carryforwards and IETU tax liabilities - As of December 31, 2012, the Institution does not have ISR tax loss carryforwards or IETU tax liabilities.

Deferred taxes - At December 31, 2012 and 2011, deferred taxes are composed as follows:

	2012	2011
Deferred ISR asset:		
Provisions	\$ 26	\$ 25
Allowance for loan losses	4	72
Labor obligations	23	27
PTU	4	3
Depreciation in financial instruments	21	-
Fees and interest collected in advance	<u>4</u>	<u>-</u>
Deferred ISR asset	82	127
Deferred ISR liability:		
Surplus value of financial instruments	-	120
Prepaid expenses	12	12
Others	<u>34</u>	<u>4</u>
Deferred ISR liability	<u>46</u>	<u>136</u>
Net deferred taxes assets (liabilities)	<u>\$ 36</u>	<u>\$ (9)</u>

Deferred taxes are recorded by using results or stockholders' equity as the corresponding account, depending on where the item giving rise to deferred tax is classified.

The reconciliation of the legal ISR and the effective rate of the Institution, expressed as a percentage of profit before ISR and PTU is:

	2012	2011
Legal rate	30%	30%
Valuation of investment securities	(5)%	9%
Others	7%	(7)%
Effective tax rate	<u>32%</u>	<u>32%</u>

Other tax issues:

As of December 31, 2012 and 2011, the Institution has the following balances for significant tax indicators:

	2012	2011
Contributed capital account	\$ <u>2,098</u>	\$ <u>1,440</u>
Net tax income account	\$ <u>2,137</u>	\$ <u>1,550</u>

23. Stockholders' equity

As of December 31, 2012 and 2011, capital stock, at par value, was as follows:

	Number of shares		Amount	
	2012	2011	2012	2011
Fixed capital - Series "O" Shares	<u>1,524,573</u>	<u>934,573</u>	\$ <u>1,525</u>	\$ <u>935</u>
Total	<u>1,524,573</u>	<u>934,573</u>	\$ <u>1,525</u>	\$ <u>935</u>

During a Stockholders' Ordinary General Meeting held on June 29, 2012, the stockholders agreed to increase capital of \$590, resolved to issue a total of 590,000 new shares of series "O" ordinary and nominative.

Also, through the office 210-12223/2012 record CNBV.312.211.23 (1598) issued on June 28, 2012, the Commission approved the increase of share capital the Institution by proceeds from the issuance of stock certificates in the Holding Monex for an initial amount of \$1,000 (for a total of \$2,000 authorized), Holding Monex, owns 99.99 of shares of Monex Grupo Financiero, S.A. de C.V., capitalized with \$590 to the Institution.

The Stockholders' Ordinary General Meeting of April 27, 2012, the stockholders agreed to increase the legal reserve of \$71, which was recorded under "Retained earnings".

The Stockholders' Ordinary General Meeting of April 27, October 8 and December 18, 2012, resolved to pay a cash dividend of \$71, \$150 y \$55, respectively, charged the account "Retained earnings".

Foreign corporations that exercise functions of authority may not participate under any circumstances in the capital of the Institution. National financial entities cannot do either, including those which form part of the Institution, except when they act as institutional investors, pursuant to article 19 of the Law to regulate financials groups.

In the case dividends are distributed prior to paying the taxes applicable to the Institution, such tax must be paid when the dividend is distributed; therefore, the Institution must keep track of profits subject to each rate.

Capital reductions will incur in taxes on the excess of the amount distributed against the capital tax value, as set forth in the Income Tax Law.

The Institution requires the creation of a legal reserve equal to 10% of net profits until reaching 100% of paid-in capital. While these entities exist, this reserve can only be distributed to stockholders as share dividends. Interest and premiums derived from repurchase transactions and investments in financial instruments.

24. Capital ratio (latest information published by Central Bank)

As of December 31, 2012 and 2011, in accordance with the capital requirements in effect, applicable to full service banks, the Institution presents the following capitalization ratio, which exceeds the minimum level required by the authorities:

	2012	2011
Net Capital / Required Capital	254.5%	270.5%
Basic Capital / Assets subject to Credit, Market and operational Risk	20.1%	21.4%
Net Capital / Assets subject to Credit Risk	32.7%	38.1%
Net Capital / Assets subject to Credit, Market and operational Risk	20.4%	21.6%

As of December 31, 2012 and 2011, the net capital used to calculate the capital ratio is as follows:

	2012	2011
<i>Basic Capital:</i>		
Stockholder's equity disregarding convertible securities and subordinate debt	\$ 3,598	\$ 2,626
Less:		
Organization costs and other intangible	(499)	(574)
Investment in shares of entities	(883)	(249)
Investment in shares of financial entities	(10)	(9)
	<u>2,206</u>	<u>1,794</u>
<i>Complementary Capital:</i>		
Allowance for loan losses	<u>31</u>	<u>18</u>
Total net capital	<u>\$ 2,237</u>	<u>\$ 1,812</u>

	2012		2011	
	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)
<i>Market risk:</i>				
Transactions with nominal rate and above par rate in Mexican pesos	\$ 1,808	145	\$ 861	69
Transactions with real rate	671	54	524	42
Transactions with nominal rate in foreign currency	348	28	278	22
Transactions with shares and related to shares	85	7	963	77
Foreign exchange transactions	134	11	198	16
Transactions in UDIS relating INPC	<u>7</u>	<u>-</u>	<u>5</u>	<u>-</u>
	3,053	245	2,829	226

	2012		2011	
	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)
Credit risk:				
Deposits and loans	4,194	336	3,135	251
From repurchase and derivatives counterparties	200	16	150	12
From issuers of debt securities in position	1,023	82	566	46
From long-term investment in shares and other assets	839	67	322	26
From guarantees and credit lines and securitization	576	46	577	46
From issues of real and personal guarantees received	-	-	5	-
	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>
	6,836	547	4,755	380
Operational risk:	<u>1,092</u>	<u>87</u>	<u>784</u>	<u>63</u>
Total assets at risk	<u>\$ 10,981</u>	<u>\$ 879</u>	<u>\$ 8,368</u>	<u>\$ 669</u>

At December 31, 2012 and 2011, weighted positions by market risk are as follows:

	2012		2011	
	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement
Market risk	\$ 3,053	\$ 245	\$ 2,829	\$ 226
Credit risk	6,836	547	4,755	380
Operational risk	<u>1,092</u>	<u>87</u>	<u>784</u>	<u>63</u>
	<u>\$ 10,981</u>	<u>\$ 879</u>	<u>\$ 8,368</u>	<u>669</u>

25. Ratings

As of December 31, 2012, the Institution the following ratings:

	Standard & Poor's	Fitch Ratings
National level-		
Short- term	MxA-1	F1(mex)
Long-term	MxA+	A+(mex)
Financial strength-		
Perspective	Stable	Stable
Public date	May 17 2012	May 14 2012

26. Contingencies and commitments

- a) **Lawsuits** - On the normal course of business, the Institution and its subsidiaries have been involved in certain lawsuits which are not expected to significantly affect their financial position or future results of operations. Provisions have been recognized for those matters representing probable losses. As of December 31, 2012 and 2011, the Institution has recorded provisions under the heading of "Sundry creditors and other accounts payable".

- b) *Administered loan portfolio* - As discussed in Note 9, the portfolio administered by the Institution derived from the sales made and equity held under the outline agreement executed with Exim-Bank and Pefco is for the amount of \$311 y \$112 at December 31, 2012 and 2011, respectively. In relation to this loan portfolio, the Institution has the commitment to assume all credit risks in the event of noncompliance with the terms agreed with Exim-Bank regarding the documentation of each loan. However, management considers that the possibility of a refund to Exim-Bank is unlikely.
- c) *Commitment* - As of December 31, 2012 and 2011 the Institution has service contracts (to receive), related to its operation, which represent less than 5.8% and 1.49% of operating expenses, respectively, which are part of the Institution's current expenses.

27. Memorandum accounts

Memorandum accounts are not included in the balance sheet and only the memoranda accounts in which transactions directly related to the balance sheet are recorded, such as collateral received in guarantee by the entity, loan commitments, collateral received and sold or delivered in guarantee and uncollected earned interest derived from the overdue loan portfolio were subject to external audit.

Aside from the above memoranda accounts, the Institution also has the following:

a. *Trust mandate transactions (unaudited) –*

As of December 31, 2012 and 2011, the Institution administered the following trusts and mandates:

	2012	2011
Trusts under-Administration	\$ 36,223	\$ 16,113
Guarantee	4,572	5,030
Investment	<u>832</u>	<u>557</u>
Total transactions under trust or mandate	<u>\$ 41,627</u>	<u>\$ 21,700</u>

As of December 31, 2012 and 2011, the income from the administration of such goods was \$41 and \$31, respectively.

b. *Goods held in custody or administration (unaudited)*

As of December 31, 2012 and 2011, other record accounts have a balance of \$2,428 and \$2,564, respectively.

28. Financial Margin

As of December 31, 2012 and 2011, the financial margin was as follows:

	2012	2011
Interest income:		
Investment in securities	\$ 544	\$ 341
Interest on repurchase	89	24
Loan portfolio	310	180
Others	<u>44</u>	<u>27</u>
	987	572
Interest expenses:		
Interest from repurchase agreements	(337)	(217)
Interest on bank and other loans (1)	(19)	(15)
Time deposits	(223)	(86)
Checking accounts deposits	<u>(36)</u>	<u>(20)</u>
	(615)	(338)
Financial margin	<u>\$ 372</u>	<u>\$ 234</u>

- (1) As of December 31, 2012 and 2011, the line item comprising interest expense in U.S. dollars for an amount that is equivalent in Mexican pesos of \$0.1 to \$0.1, respectively.

29. Intermediation Result

As of December 31, 2012 and 2011, the main items comprising the result from intermediation are as follows:

	2012	2011
Valuation result-		
Trading securities	\$ (13)	\$ (58)
Derivatives	39	(61)
Equity	<u>(5)</u>	<u>4</u>
	21	(115)
 Profit realized derivatives	215	91
Profit in purchase-sale market securities	195	169
Equity	340	2
International	<u>136</u>	<u>156</u>
Profit in purchase-sale foreign exchange:	886	418
U.S. dollar	1,849	2,011
Euro	256	407
Others	<u>122</u>	<u>130</u>
	<u>2,227</u>	<u>2,548</u>
 Intermediation Result	<u>\$ 3,134</u>	<u>\$ 2,851</u>

30. Other expenses and other income

As of December 31, 2012 and 2011, other expenses and other income, are as follows:

	2012	2011
Other income-		
Financial services	\$ 1	\$ 6
Inter companies transactions	106	80
Others	<u>37</u>	<u>20</u>
Total other income	<u>\$ 144</u>	<u>\$ 106</u>
Other expenses-		
Foreign exchange loss	\$ (6)	\$ (65)
Foreclosed assets	-	(4)
Others	<u>-</u>	<u>(8)</u>
Total other expenses	<u>(6)</u>	<u>(77)</u>
Total	<u>\$ 138</u>	<u>\$ 29</u>

31. Segment information

As of December 31, 2012, the Institution identified operating segments within its different business and it considers each as part of its internal structure and with its own profit risks and opportunities. These segments are regularly reviewed in order to assign operating monetary resources and evaluate their performance.

	Foreign exchange	Cash and securities	International	Portfolio	Capital	Trust	Prepaid	Found	Derivative	Call Money	Treasury	Total
Interest income	\$ -	\$ 632	\$ -	\$ 310	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ 6	\$ 12	\$ 987
Interest expense	-	(534)	(5)	-	-	-	-	-	-	(21)	(55)	(615)
Provisions for loan losses	-	-	\$ -	(37)	-	-	-	-	-	-	-	(37)
Commission and fee income	68	-	-	16	-	41	33	-	-	-	35	193
Commission and fee expense	-	-	-	(37)	-	-	-	-	(19)	-	(95)	(151)
Intermediation result	2,227	181	125	-	336	-	-	-	265	-	-	3,134
Administration and marketing expenses	(1,480)	(145)	(82)	(171)	(276)	(28)	(22)	-	(186)	-	-	(2,390)
Other income (expenses), net	(5)	-	-	15	-	-	14	1	-	-	113	138
Current income taxes	(214)	(16)	(16)	(24)	(32)	(4)	(3)	-	(26)	-	-	(335)
Deferred income taxes	(8)	(27)	(5)	(19)	(1)	(2)	(1)	(1)	(10)	-	(2)	(76)
Minority interest	-	-	-	-	-	-	-	-	-	-	(7)	(7)
Grand total	<u>\$ 588</u>	<u>\$ 91</u>	<u>\$ 17</u>	<u>\$ 53</u>	<u>\$ 27</u>	<u>\$ 7</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 51</u>	<u>\$ (15)</u>	<u>\$ 1</u>	<u>\$ 841</u>

32. Comprehensive risk management (unaudited)-

a. *Applicable standards*

This disclosure is supplemental to the obligation to disclose information on adopted risk management policies, procedures and methodologies, together with information on potential losses by risk and market type.

Management has policies and procedures manuals which follow the guidelines established by the Banking Commission and Central Bank to prevent and control the risks exposure the Institution is incurs based on the transactions it performs.

The assessment of policies, procedures, functionality of risk measurement models and systems, compliance with risk management procedures and assumptions, parameters and methodologies used by risk analysis information systems is carried out by an independent expert, as required by the Commission.

This assessment presented in “Prudential risk management provision” and “Review of risk measurement valuation and procedures model” reports, which are presented to the Board of Directors, Risk Committee and General Management.

b. *Environment*

The Institution identifies, manages, supervises, controls, discloses and provides information on risks through its Comprehensive Risk Management Unit (UAIR) and the Risk Committee, which jointly analyze the information received from business units.

To enable it to measure and evaluate the risks resulting from its financial transactions, the Institution has technological tools to calculate the Value at Risk (VaR), while also performing supplemental stress testing. Likewise, the Institution has developed a plan allow operations continuity in the event of a disaster.

The UAIR distributes daily risk reports, together with monthly risk information to the Risk Committee and Audit Committee. Similarly, it presents quarterly risk reports to the Board of Directors.

c. *Risk management entities*

The Board of Directors is responsible for establishing risk management policies. However, according to established policies, it delegates responsibilities for implementing risk identification, measurement, supervision, control, information and disclosure procedures to the Risk Committee (RC) and General Management.

The policies approved by the Board of Directors are documented in the Comprehensive Risk Management Manual (MAIR), which includes risk management objectives, goals, procedures and maximum risk exposure tolerances.

The RC holds monthly meetings and ensures that transactions reflect the operating and control objectives, policies and procedures approved by the Board of Directors. Likewise, the RC delegates responsibility for providing comprehensive risk monitoring and follow-up to the Comprehensive Risk Management Unit (UAIR).

In urgent cases and depending on market conditions or the specific needs of different business units, the RC holds extraordinary meetings to determine the increase of established limits or temporary limit excesses.

The Risk Lines Committee holds weekly meetings to evaluate the risk lines used for foreign exchange transactions.

d. *Market risk*

The Institution evaluates and provides follow-up on all positions subject to market risks based on Value at Risk models which measure the potential loss of a position or portfolio associated with risk factor movements with a 99% reliance level and a one-day horizon.

The UAIR also prepares a GAP analysis among rates used for assets and liabilities denominated in Mexican pesos and foreign currency. The GAP analysis is represented by assets and liabilities with rates at different moments in time, while considering the characteristics of the respective rates and time frame.

e. *Liquidity risk*

The UAIR calculates daily liquidity GAPS (time at which interest or principal is received) based on the cash flows from total financial assets and liabilities of the Institution.

The Institution quantifies its liquidity risk exposure by preparing cash flow projections which consider all assets and liabilities denominated in Mexican pesos and foreign currency, together with the respective maturity dates.

The Treasury Department of the Institution is responsible for ensuring the conservation of a prudent liquidity level in relation to the Institution's needs. In order to reduce its risk level, the Institution keeps call money lines open in U.S. dollars and Mexican pesos with different financial institutions.

Daily, the Treasury Department monitors the liquidity requirement for foreign currency provisions in Circular 3/2012 of the Central Bank.

f. *Credit risk*

The Institution classifies each customer according to the methodology established by the Commission, which takes into account the client's financial risk, payment experience and guarantees. Together with quarterly credit follow-up evaluations, credit risk concentrations are determined by borrower or risk group, economic activity and state.

As established by the Commission's Banking Ruling, the Institution established a maximum credit risk exposure limit equal to 40% of basic capital for an individual or entity or group of entities constituting a joint risk. Furthermore, the Institution also complies with the standard applicable to related loans.

When performing customer transactions with over-the-counter derivatives, the risk unit determines transaction lines based on an analysis of the financial situation of each counterpart. The credit risk is covered by requesting margins from customers ranging from 6% to 10% of the transaction amount. Lower percentages must be approved by the Risk Lines Committee, in which case a maximum loss amount is established. Customers are subject to margin calls either during the day or at the daily close whenever significant losses could be generated by the valuation of their open positions.

In the case of exchange transactions, the credit risk is analyzed based on a customer credit evaluation. Line settlement proposals are presented to the Lines Committee, which can either reject or approve them. This risk is controlled by matching the authorized line with that actually utilized.

g. *Operating risk*

The Comprehensive Risk Management Manual (MAIR) and Operating Risk Management Manual (MARO) establish policies and procedures for the follow-up on and control of operating risks. The Management of the Institution has requested that the Controllershship area implement an operating risk management program, the activities of which should also be made known to the Risk and Audit Committees.

The Institution has implemented the risks headquarters and controls to get a qualitative qualification of the impact and frequency of the risks.

Through the classification of Risks, catalogues of risks are being integrated to determinate possible losses if such risks come true before the realization of operational risk are identified and the will be recognized in the future.

Risk frequency and impact classifications have been utilized to create risk maps for the different processes implemented by the Institution; these risk maps indicate the tolerance levels applicable to each risk.

Scale	Level
1	Low
2	Medium
3	High

- The maximum tolerance level utilized by the Institution is 3.
- Accordingly, each identified operating risk must be classified at levels 1 and 2 (Low - Medium) of the established scale.

General Director of the Institution, CR and to the areas involved must be informed immediately, if some identifying operational risks exceed the tolerance levels.

These levels indicate the possible economic loss that could be suffered by the Institution if a given risk materializes.

The Institution has built an historic database with the information of the losses incurred by operational risks. Thus, they will be able to generate quantitative indicators to monitor the operational risk in the operations.

h. *Legal Risk*

The Institution has established policies and procedures in the MARO and implements the same process as that used for operating risks.

i. *Technological risk*

The Institution has policies and procedures for systems operation and development.

Regarding technological risks, the Institution has policies and procedures contained in MARO and implements the same process as that used for operational and legal risks.

Quantitative information (unaudited)

a) *Market Risk*

At December 31, 2012 and 2011, the VaR was \$7 and \$12.4, respectively (unaudited) and with a 99% reliance for one day. This value represents the maximum loss expected during one day and is situated within the limits established by the Institution.

At December 31, 2012 and 2011, portfolio concentration by segment was as follows (unaudited):

Portfolio concentration by segment	2012	2011
Farming and cattle-raising	\$ 14	\$ 107
Foods	202	71
Commercial	838	631
Financial	646	783
Industrial	818	467
Real-estate	322	431
Services	1,724	1,212
Textile	13	8
Total	\$ 4,577	\$ 3,710

b) *Credit Risk*

At December 31, 2012 and 2011, portfolio concentration by state was as follows:

Portfolio concentration by state	2012	2011
Aguascalientes	\$ 27	\$ 34
Baja California	291	98
Campeche	45	23
Chihuahua	118	72
Chiapas	10	6
Coahuila	165	105
Colima	6	3
Distrito Federal	1,393	1,209
Durango	81	53
Estado de México	214	357
Guerrero	11	5
Guanajuato	184	77
Hidalgo	15	9
Jalisco	211	264
Michoacán	12	3
Morelos	36	49
Nayarit	17	3
Nuevo León	826	592
Oaxaca	11	8
Puebla	34	44
Quintana Roo	58	59
Querétaro	28	19
Sinaloa	193	242
San Luis Potosí	32	28
Sonora	62	50
Tabasco	41	18
Tamaulipas	78	54
Tlaxcala	8	4
Veracruz	112	82
Yucatán	79	62
Zacatecas	88	66
Foreign locations	91	12
Total	\$ 4,577	\$ 3,710

c) *Liquidity risk*

The Institution evaluates the expiration of the assets and liabilities of the balance sheet in Mexican pesos and foreign currency. The gap of liquidity in Mexican pesos is as follows:

Year	Requirement to 1 day	Requirement from 2 to 7 days	Requirement > 8 days
2012	\$ (387)	\$ (3,469)	\$ 1,616

The gap of liquidity in U.S. dollars is presented as follows:

Year	Requirement to 1 day	Requirement from 2 to 7 days	Requirement > 8 days
2012	\$ 177	\$ (11)	\$ 118

d) *Operating Risk*

At monthly Risk Committee meetings information on events related to the operating risks reported by different business units is presented. This information indicates the event and date.

Comptroller personnel keep a risk log that is used to quantify risks which are also detailed in the operating risk event database.

e) *Risk policies applied to derivative financial instruments*

Market risks of transactions involving derivative financial instruments are limited because customer transactions are hedged through organized markets or inverse transactions with financial intermediaries.

These transactions involve a counterparty risk which is analyzed by the UAIR based on balance sheet and statement of income information. Transaction amounts and initial margins are authorized and/or ratified by the Lines Committee.

The credit risks of these transactions are controlled by using guarantees and the implementation of daily margin calls or whenever the valuation loss reaches the upper limit authorized by the Lines Committee.

In order to monitor the risks inherent to transactions involving derivative financial instruments, the Institution has established the following control measures, among others:

- A Risk Committee, which is informed of these transaction risks.
- An UAIR, which is independent of business areas and permanently monitors risk positions.
- Transactions are primarily performed with financial intermediaries and non-financial customers approved by the UAIR and Lines Committee.
- Maximum amounts or credit limits have been established based on the initial risk classification given to each potential borrower

f) *Detection of transactions with illegal resources*

The Institution has a Communication and Control Committee which monitors compliance with applicable standards, while also notifying the involved areas and respective authorities of any transactions considered as unusual, significant or worrying according to Treasury Department (SHCP) provisions.

33. **New accounting principles**

As part of its efforts to make Mexican standards converge with international standards, in 2012, the Mexican Board for Research and Development of Financial Reporting Standards ("CINIF") issued the following MFRS, and improvements to MFRS, which will become effective as of January 1, 2013:

- NIF B-3, Statement of Comprehensive Income (Loss)
- NIF B-4, Statement of Changes in Stockholders' Equity
- NIF B-6, Statement of Financial Position
- NIF B-8, Consolidated or Combined Financial Statements
- NIF C-7, Investments in Associated Entities, Joint Ventures and Other Permanent Investments
- NIF C-21, Joint Control Arrangements

Amendments to Mexican Financial Reporting Standards 2013:

NIF B-3 - *Statement of Comprehensive Income (Loss)* - Provides the options of presenting a) a single statement of comprehensive income (loss) containing the items that make up net income (loss), as well as other comprehensive income (OCI) and equity in OCI of other entities, 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) which, in turn, is adjusted by OCI items and equity in OCI of other entities. In addition, NIF B-3 establishes that unusual items should not be separately presented as such 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 corrections 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 NIF B-3.

NIF B-6, *Statement of Financial Position*- Establishes, in a single standard, the structure of the statement of financial position as well as the related rules for presentation and disclosures.

NIF B-8, *Consolidated or Combined Financial Statements*- Amends the definition of control. The existence of control over an entity is the basis for consolidation of the financial information. With this new definition and in accordance with the criteria of the revised standard, consolidation may be required of certain previously unconsolidated entities that are controlled by the Entity and, vice versa, the Entity may be required to deconsolidate previously consolidated entities over which the Entity has determined it does not exercise control. This NIF establishes that an entity exercises control when it has power to direct relevant activities and if it is exposed to or has rights to variable returns of another entity and has the ability to influence such returns. Additionally, the NIF introduces the concept of protective rights, which are defined as those rights that are designed to protect the non-controlling investor's participation, while not granting power to such investor. The standard also incorporates the concepts of principal and agent, wherein the principal is the investor entitled to make decisions on its own behalf, while the agent's role is limited to making decisions on behalf of the principal; consequently, the latter cannot be the party who exercises control. The NIF removes the term "special-purpose entity" and introduces the concept of a structured entity, which is an entity designed in such a way that voting or similar rights are not the determining factor for deciding who has control over it.

NIF C-7, *Investments in Associates, Joint ventures and Other Permanent Investments* - Stipulates that investments in joint ventures should be recognized through the equity method and that all gains and losses arising from permanent investments in associated entities, joint ventures and others should be recognized in results, in income or loss of other associated entities. The revised standard requires additional disclosures that are intended to provide further data on the financial information of associated entities and joint ventures, and eliminates the term "special-purpose entity."

NIF C-21, *Joint-Control Arrangements* – Defines a joint agreement as an agreement that regulates an activity over which two or more parties maintain joint control, and comprises: 1) joint operations, wherein the parties to the agreement have direct rights and obligations with respect to the contractual assets and liabilities, and 2) joint venture, wherein the parties have the right to participate only in the residual value of assets after deducting liabilities. This type of agreement establishes that participation in a joint venture must be recognized as a permanent investment, and valued according to the equity method.

Improvements to Mexican Financial Reporting Standards 2013- The main improvements that result in accounting changes that should be recognized retroactively in fiscal years beginning on January 1, 2013 are:

Bulletin C-9, *Accounting for Liabilities, Provisions, Contingent Assets and Liabilities and Commitments* and Bulletin C-12, *Accounting for Certain Financial Instruments With Characteristics of Liabilities, Equity or Both*– Stipulate that costs incurred in connection with the issuance of debt obligations should be presented as a reduction of the related liabilities and recognized in current earnings using to the effective interest method.

Bulletin C-15, *Accounting for Impairment and Disposal of Long-lived Assets*–The requirement of retroactively restating prior period comparative balance sheets for the deconsolidation of discontinued operations is eliminated.

Bulletin D-5, *Leases*- Stipulates that non-reimbursable lease payments should be deferred over the lease period and recognized in current earnings upon recognition of revenues and related expenses by the lessor and the lease, respectively.

Also, other Improvements to MFRS 2013 were issued that do not result in accounting changes but further clarify the definitions of certain terms.

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

34. Authorization of the Financial Statements

On February 28, 2013, the issuance of the consolidated financial statements was authorized by Moisés Tikin Nickin, Chief Executive Officer of the Institution, Álvaro Alberto Calderón Jimenéz, Chief Financial Officer, Eduardo Antonio Mújica Dávalos, Chief Internal Auditor and Ricardo Cordero Jurado, Deputy Director of Accounting. These consolidated financial statements are subject to the approval by the Board of Directors and the General Ordinary Stockholders' Meeting, where they may be modified.

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